



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

IAIS Major Projects Update

Policy Development Committee

Elise Liebers, Chair of the Policy Development Committee
IAIS Annual Conference
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Overview of work of the PDC

- Revision of Insurance Core Principles (ICPs)
- Development of ComFrame
- Risk-based Global Insurance Capital Standard (ICS)
- Aggregation method additional data collection
- Development of Supporting Material

ICP Revisions (1)

Process for adoption of revised ICPs being a foundation for ComFrame material

- Revisions to ICPs being a foundation for ComFrame material to be adopted at the 2019 Annual General Meeting (AGM), even if completed before 2019
- Revisions of ICPs completed before 2019 and endorsed by the Executive Committee (ExCo)
 - Published on the IAIS website as drafts for information purposes only
 - May be subject to further changes, before adoption at the 2019 AGM (given ongoing work on other ICPs and ComFrame)
 - Not expected to be implemented until adopted at the 2019 AGM

ICP Revisions (2)

Steps taken in 2017

- Revised ICPs adopted at the AGM in November 2017:
 - ICP 13 (Reinsurance and Other Forms of Risk Transfer)
 - ICP 18 (Intermediaries)
 - ICP 19 (Conduct of Business)
- Revised ICPs endorsed by the ExCo as drafts in November 2017:
 - Introduction and Assessment Methodology
 - ICP 1 (Objectives, Powers and Responsibilities of the Supervisor)
 - ICP 2 (Supervisor)
 - ICP 3 (Information Sharing and Confidentiality Requirements)
 - ICP 9 (Supervisory Review and Reporting)
 - ICP 10 (Preventive Measures, Corrective Measures and Sanctions) (with ICPs 10 and 11 (Enforcement) combined into one ICP, i.e. ICP 10)
 - ICP 12 (Exit from the Market and Resolution)*
 - ICP 25 (Supervisory Cooperation and Coordination)*.

* ICP 26 (Cross-border cooperation and coordination on crisis management) was restructured and, consequently, part of it was moved to ICP 25 and the rest to ICP 12.

ICP revisions (3)

Steps taken in 2018

- Revised **ICP 6** (Change of Control and Portfolio Transfer) – adopted at the AGM in November 2018
- Revised ICPs endorsed by the ExCo in November 2018 as drafts before their adoption at the end of 2019:
 - **ICP 8** (Risk Management and Internal Controls)
 - **ICP 15** (Investments)
 - **ICP 16** (Enterprise Risk Management for Solvency Purposes)
 - **ICP 20** (Public Disclosure)
- Revised ERM-related Glossary terms endorsed by the ExCo in November 2018 as drafts before their adoption at the end of 2019

The outcome of the public consultation on ICPs 6, 8, 15, 16 and 20 and ERM-related Glossary will be presented during the public discussion session via teleconference on 21 November 2018 (please check the IAIS website for details).

Development of ComFrame (1)

Steps taken in 2016 and 2017

- New structure of ComFrame agreed upon in 2016:
 - ComFrame material integrated into ICPs
 - ICP text not be copied into ComFrame text
 - Adjusted to the ICP hierarchy (Standards and Guidance)
- Public consultation of ComFrame material integrated into ICPs:
 - ComFrame material in ICPs 5, 7, 8, 9, 10, 12 and 25 published for consultation in March 2017
 - The outcome of that public consultation communicated in March 2018
 - ComFrame material in ICPs 8, 15 and 16 published for consultation in November 2017
 - The outcome of this public consultation communicated in July 2018

Development of ComFrame (2)

Public consultation on draft overall ComFrame in 2018

- Draft overall ComFrame published in July 2018 for 90-day public consultation
 - ComFrame Introduction
 - Glossary definitions of terms specific to ComFrame
 - ComFrame material in ICPs 5, 7, 8, 9, 10, 12, 15, 16, 23 and 25
- New elements:
 - IAIG identification criteria – integration of former Module 1 *Scope of ComFrame* of 2014 draft ComFrame into ICP 23
 - Supervisory principles for the identification of the Head of the IAIG (ComFrame in ICP 23)
 - Amendments reflecting the Kuala Lumpur Agreement on implementation of ICS Version 2.0 in ComFrame in ICPs 9 and 25 and ComFrame Introduction

Implementation of ICS Version 2.0

Conducted in two phases:

Phase 1: five-year monitoring period

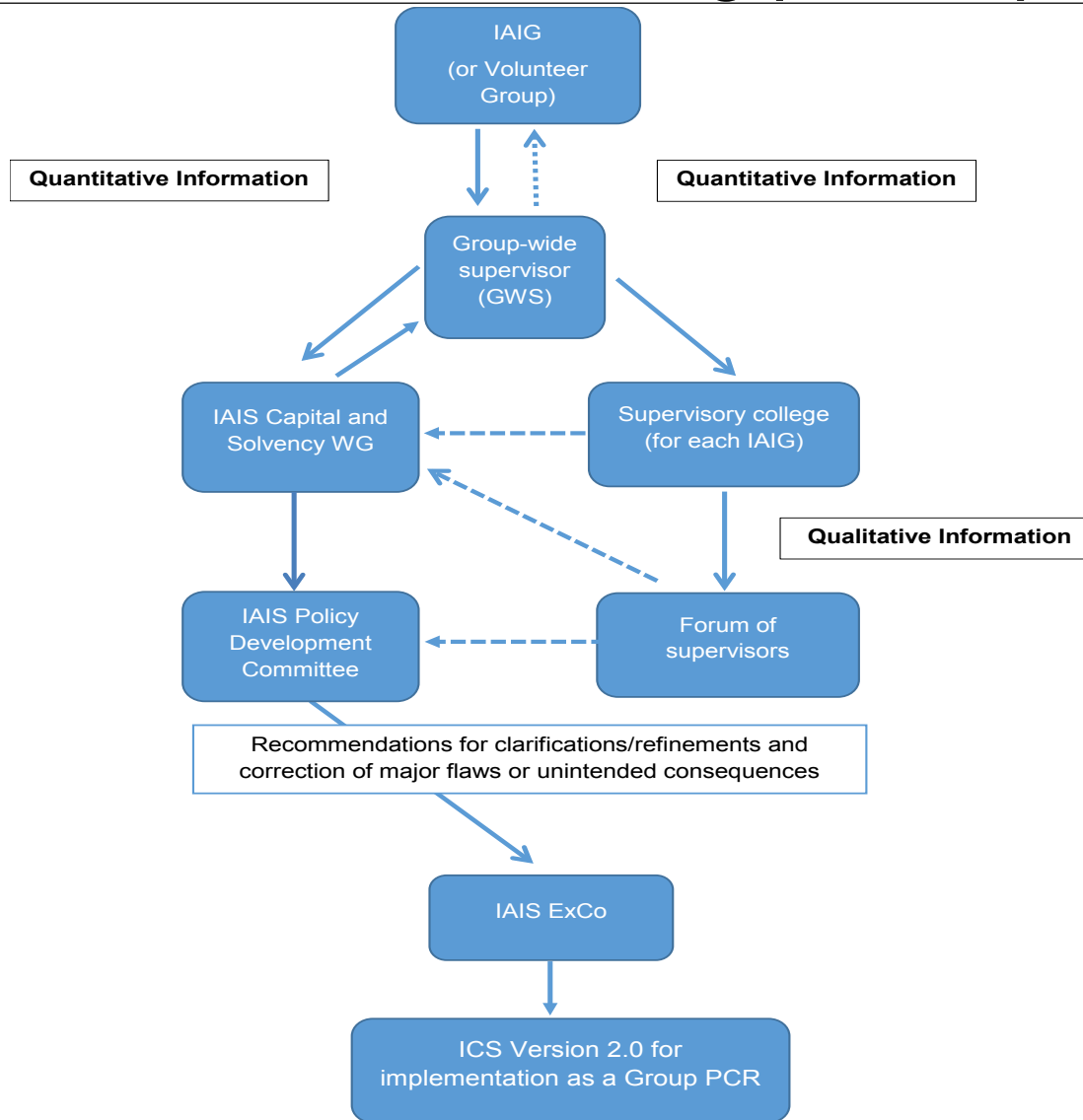
- ICS Version 2.0:
 - will be used for confidential reporting to group-wide supervisors and discussion in supervisory colleges
 - will not be used as a PCR (i.e. the ICS results will not be used to trigger supervisory action)

Phase 2: implementation of the ICS as a group-wide PCR

Two equally important components:

- **Mandatory confidential reporting** by all IAIGs of a **reference ICS** which is based on market-adjusted valuation (MAV), the standard method for capital requirements and converged criteria for qualifying capital resources; and
- **Additional reporting, at the option of the group-wide supervisor**, of ICS based on GAAP Plus valuation and/or other methods of calculation of the capital requirement

ICS Version 2.0 monitoring period process



2018 Field Testing of ICS Version 2.0

- 47 Volunteer Groups from 18 jurisdictions
- Data was due 31 August and analysis is ongoing
- Some key changes were introduced in 2018 Field Testing:
 - MAV Three-Bucket Approach to discounting
 - GAAP Plus: split between those GAAP Plus jurisdictions doing a full ICS calculation, balance sheet only or answering qualitative questions
 - Margin over Current Estimate (MOCE): three MOCE options included in 2018 Field Testing: fixed C-MOCE, variable C-MOCE and P-MOCE
 - Capital resources – only one issue open for 2018 Field Testing (acceleration clauses that may be triggered in going concern)
 - Capital requirements – introduction of Non-Default Spread risk within Market risk
 - Tax – inclusion of a DTL cap on the ICS stress tax effect

Aggregation method additional data collection

- IAIS data collection to support the development of an Aggregation Method (AM) by interested jurisdictions so that the IAIS can assess whether an AM delivers comparable, ie substantially the same (in the sense of the ultimate goal) outcomes to the ICS
- Volunteer Groups from five jurisdictions participated in the initial data collection
- Data analysis is on-going

ICP revision and ComFrame development

Next steps

- First half of 2019:
 - Reviewing 2018 public consultation comments on overall ComFrame
 - Revisions to ICPs where necessary for consistency with ComFrame and other ICPs
 - Revisions to ICPs and ComFrame as part of the development of the Holistic Framework to mitigate systemic risk in the insurance sector
- June 2019 – publication of the summary of main comments on overall ComFrame and their resolution
- June-August 2019 – public consultation on further revision to ICPs/ComFrame (60 days)
- November 2019 – adoption at the AGM of revised ICPs and ComFrame including ICS Version 2.0 (as a stand-alone document)

Supporting material

- Finalised in 2018 (adopted by the ExCo on 7 November):
 - Issues Paper on Increasing Digitalisation in Insurance and its Potential Impact on Consumer Outcomes
 - Application Paper on Supervision of Insurer Cybersecurity
 - Application Paper on the Composition and the Role of the Board
- Work in progress:
 - Application Paper on Recovery Planning

The teleconference scheduled for 21 November 2018 will include the public discussion session for the papers finalised in 2018 and the public background session for the draft Application Paper on Recovery Planning (please check the IAIS website for details).
