



IAIS 25
YEARS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

IAIS public discussion and background sessions

28 June 2019, Teleconference



INTRODUCTORY REMARKS

Elise Liebers, Chair of the Policy Development Committee

Scope of the IAIS public call

- **Public discussion session** on the outcome of the 2018 public consultation on ComFrame
- **Public background session** on revisions to IAIS supervisory material released for public consultation (with comments due by 15 August):
 - Draft revised IAIS Glossary
 - Draft ComFrame Assessment Methodology
 - Changes in the Introduction to ICPs and ICP 7 (Corporate Governance) related to development of ComFrame
 - Draft revised ICP 22 (Anti-Money Laundering and Combating the Financing of Terrorism)

Note: Public background session on revisions to ICPs and ComFrame related to the holistic framework development (released for public consultation) will be held separately on 2 July 2019.


Revision to ICPs and development of ComFrame

- Decision to integrate ComFrame material into ICPs (June 2016)
- Public consultation on particular parts of ComFrame (2017)
- Draft revised ICPs related to ComFrame endorsed by the Executive Committee, subject to potential further changes prior to their adoption in November 2019
 - Draft revised ICP Introduction and Assessment Methodology and draft revised ICPs 1, 2, 3, 9, 10, 12 and 25 in November 2017; and
 - Draft revised ICPs 8, 15, 16 and 20 in November 2018
- Public consultation on draft overall ComFrame integrated in ICPs (31 July – 30 October 2018)
- Public consultation on revisions to IAIS supervisory material (June – August 2019)
- Adoption of revised ICPs, ComFrame and ICS Version 2.0 for confidential reporting (November 2019)


Outcome of the 2018 public consultation

- Comments received from:
 - 29 Stakeholders
 - 8 Members
- 1430 comments received in total
- Outcome of the public consultation
 - Draft revised ComFrame [here](#)
 - Summary of main comments and their resolution [here](#)
 - All public consultation comments [here](#)

Content of the package


 Public

**Cover note
for the mid-2019 public consultation package
of the IAIS supervisory material**

 Public

**Revisions to IAIS supervisory material
(clean)**

June 2019

 Public

**Revisions to the IAIS supervisory
material (redline)**


June 2019

 Public

**Summary of main comments received during the 2018 public
consultation on overall ComFrame and their resolution**

Introduction

- Between 31 July and 30 October 2018, the IAIS consulted on draft overall ComFrame.
- The IAIS received numerous comments from both Members and Stakeholders that provided valuable input for further improvements and revisions.
- With this document the IAIS provides responses to the main comments received during the 2018 public consultation.

 Public

Public consultation comments on overall ComFrame:

**Introduction to ComFrame
IAIS Glossary Terms
ComFrame in ICPs 5, 7, 8, 9, 10, 12, 15, 16, 23, and 25**

31 July – 30 October 2018

Revisions in the consultation document

- Published for information:
 - Revisions to ComFrame based on 2018 public consultation comments
 - Minor editorial changes in ICPs 10, 12 and 16 related to ComFrame development.
- Released for public consultation (with comments due by 15 August):
 - Draft revised IAIS Glossary
 - Changes on substance in the Introduction to ICPs and ICP 7 related to ComFrame development
 - Draft ComFrame Assessment Methodology
 - Draft revised ICP 22
 - Revisions to ICPs and ComFrame related to the holistic framework development

QUESTIONS?

INTRODUCTION TO ICPs AND COMFRAME AND COMFRAME ASSESSMENT METHODOLOGY, IAIS GLOSSARY

Ryan Workman, Chair of the Supervisory Material Review Task Force

Introduction to ICPs and ComFrame

- The revisions to the ComFrame Introduction present the outcome of the 2018 public consultation:
 - Highlight the importance of achieving outcomes through ComFrame
 - Clarify the language around direct and indirect powers for group-wide supervision as well as on the fact that ComFrame is neutral on the governance model within an IAIG
- The revisions in the ICP Introduction are not just editorial in nature and are therefore released for public consultation:
 - Additional two paragraphs added at the end of the Introduction, in response to questions from stakeholders that materiality should be more prominently explained
 - Changes made for consistency on the description of the Principle Statements consistent with the draft Standard in ICP 1 on the objectives of the supervisor

ComFrame Assessment Methodology

- In general, the ICP Assessment Methodology is also applicable to ComFrame. There are however some additional considerations that should be taken into account when assessing observance of ComFrame requirements.
- For this, a draft ComFrame Assessment Methodology is developed that is now released for public consultation.
- It discusses:
 - The role of involved supervisors (both the group-wide supervisor and other involved supervisors)
 - Reporting
 - The assessment process
 - Interaction with assessments of ICPs

IAIS Glossary

- As part of the revisions to ICPs and development of ComFrame, the IAIS undertook a comprehensive review of the IAIS Glossary:
 - Some terms are proposed to be deleted, for instance when these are no longer used in the IAIS Supervisory Material or when these are considered to be general terms
 - Other terms have been updated or rewritten to improve clarity and consistency
- Not in scope for public consultation are the following terms:
 - Terms that were published for consultation in 2018 as part of Draft Overall ComFrame
 - ERM-related terms that were released for information in November 2018
 - Terms related to ICP 14 and 17, which will be revised alongside revisions to those ICPs

QUESTIONS?

COMFRAME IN ICPs 9, 10, 23 AND 25

Tom Crossland, Chair of the Insurance Groups Working Group

General outcome

- Stakeholders generally supportive of ComFrame proposals for ICPs 9, 10, 23 and 25
- No serious concerns as to proposed framework for IAIG identification and group supervision
- A number of amendments made for further clarifications mainly in guidance
- No changes in ComFrame in ICP 25
- ComFrame standards in ICPs 9 and 25 related to the ICS monitoring period – reflect the ICS discussion, which is dealt with separately (latest public communication on upcoming ICS monitoring period is available [here](#))

Specific revisions in ComFrame in ICPs 9, 10 and 23

- CF 9.0.a.2: new guidance to clarify the role of the GWS and other involved supervisors in a supervisory review at the level of the Head of the IAIG
- CF 9.2.a.5-7: some aspects peer-group analysis strengthened
- CF 9.6.a.2: clarification on supervisory cooperation during on-site inspections
- CF 10.2.a: GWS to require the Head of the IAIG to take preventive measures if a legal entity within the IAIG seems to operate in a manner having a material adverse effect on the IAIG as a whole
- CF 23.0.d.2 – new guidance on ad-hoc assessment of previous decisions on identification of IAIGs

QUESTIONS?

ICP 7 AND COMFRAME IN ICPs 5, 7 AND 8

Anna Jernova, Chair of the Governance Working Group

Outcome of the 2018 public consultation

- CF 5.2.a.1: the wording kept with additional explanation in resolution of comments
- CF in ICP 7: Reference to legal entities within IAIG removed in some places to focus on issues relevant to the whole IAIG
- CF 7.0a: the purpose of developing documentation of the legal and management structures clarified (mainly for the IAIG Board and Senior Management, but can be also be useful for GWS)
- CF 8.3.c: group-wide control functions not combined, unless exceptional circumstances apply (with additional explanation in guidance)
- CF 8.4.a and CF 8.5a: references to risk management plan and the compliance plan deleted (content of such documents is covered by other bullets)

Revisions to ICP 7

- Revisions to guidance ICP 7.0.7, 7.0.8 and 7.1.3 subject to public consultation
- Aimed mainly at covering guidance removed from ComFrame (as applicable not only to IAIGs)
- The rest of ICP 7 is not subject to public consultation

QUESTIONS?

ICP 16 AND COMFRAME IN ICPs 15 AND 16

Ramon Calderon, Leader of the ICP 15 & 16 Review Work Stream

Background information

- ICP 15 and 16 last adopted in 2011
- Purpose of 2017 revisions:
 - update and harmonise language with the integration of ComFrame
 - add ERM-related terms to the IAIS glossary for clarity
 - remove overlaps between ICP 8 and ICP 16
- Public consultation November 2017 – January 2018 (ICP and ComFrame material)
- Purpose of 2018 revisions:
 - reflect feedback from member and stakeholder comments
 - improve the clarity and consistency with other ICPs
- Public consultation July – October 2018 (only ComFrame material)
- Purpose of 2019 revisions (discussed today):
 - reflect feedback from member and stakeholder comments

Main public consultation comments

ComFrame in ICPs 15 and 16

General Comments on ComFrame in ICPs 15 and 16

- ComFrame requirements are too prescriptive and suggest that a centralised approach is preferable
- Some ComFrame standards are overly prescriptive in its reference to “the Head of the IAIG”

Comments on ComFrame in ICP 15

- ComFrame should not prevent the IAIGs’ use of credit ratings or external investment managers
- Standard CF 15.2.b should be removed as it relates to capital fungibility and belongs in ICP 17
- **No revisions were made to ICP 15 or ComFrame in ICP 15 as a result of the consultation of overall ComFrame.**

Main public consultation comments

ICP 16

- **Revisions to ICP 16 were editorial for purposes of consistency or clarification.**
 - Revisions were made to ICP 16.2.18 to align the definition of stress testing and scenario analysis with the IAIS Glossary
 - Comments were made that reverse stress testing does not normally consider scenarios that are "likely to cause" business failure but those that could. Language was amended accordingly to ICP 16.2.21, then to ICP 16.12.14 (now 16.14.14) for consistency
 - Some geographical changes were made to guidance paragraphs in ICP 16.6 for better flow of information

Main public consultation comments

ComFrame in ICP 16

- The majority of revisions made to ComFrame in ICP 16 were also editorial for purposes of consistency or clarification
- The following are some examples of main consultation comments made to ComFrame in ICP 16
 - An independent review of the ERM framework every three years is overly onerous (CF 16.2.c)
 - It is not appropriate to require an IAIG to report its risk appetite "externally" (CF 16.4.a)
 - There are overlaps and duplications between CF 16.7.e and CF 8.6.a, and these standards should be merged or appropriately aligned
 - Revisions were made to the standard CF 16.7.e and relevant guidance to specify the role of the actuarial function
 - It should be at the discretion of the IAIG to assess the appropriate approach (quantitative and/or qualitative) to perform each element of the ORSA (CF 16.10.a now CF 16.12.a)

QUESTIONS?

ICP 12 AND COMFRAME IN ICP 12 AND 16.15

Alex Hart, Chair of the Resolution Working Group

ICP/ComFrame material on recovery and resolution

- In response to stakeholder comments, changes have been made to ComFrame to improve clarity or add more explanation in guidance. Changes in the ICP are for consistency with ComFrame
- ICP 12
 - Material related to requiring insurers to take prospective action to improve resolvability, as well as to provide information for developing resolution plans, that was previously under 12.7 (powers) has now been moved to 12.3 (planning)
- ICP 16.15
 - Received broad support for the move from ICP 10 to ICP 16
 - Added clarifying language to explain that recovery actions anticipated in a recovery plan should not automatically be applied in case of stress; the actual actions taken will depend also on circumstances.

QUESTIONS?

ICP 22

Philip J. Goodman, Chair of the Financial Crime Task Force

ICP 22

- ICP 22 – Anti-Money Laundering and Combatting the Financing of Terrorism
- Current version adopted in October 2013
- Reviewed and updated by Financial Crime Task Force
- Improve utility for supervisors
- Independent from ComFrame development
- Enhance consistency with the Financial Action Task Force (FATF) Recommendations and Guidance
- *FATF Guidance for a Risk-Based Approach for the Life Insurance Sector*
- Application Paper update TBD

QUESTIONS?
