



International Association of Insurance Supervisors

## Press release

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### **IAIS ComFrame to close gap in supervision of insurance groups**

As a supervisory response to the increasing globalisation in the insurance sector combined with the key lessons learnt from the financial crisis, the IAIS is building the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame). This will foster cooperation among supervisors and close regulatory gaps. The International Association of Insurance Supervisors (IAIS) is addressing these issues as it seeks to improve the supervision of Internationally Active Insurance Groups (IAIGs) and has made a significant move towards this by announcing the release, for comment, of a Concept Paper ([http://www.iaisweb.org/view/element\\_href.cfm?src=1/12279.pdf](http://www.iaisweb.org/view/element_href.cfm?src=1/12279.pdf)) for ComFrame. Comments to the IAIS Secretariat are due by 31 August 2011.

ComFrame will:

- Develop methods of operating group-wide supervision of IAIGs in order to make group-wide supervision more effective and more reflective of actual business practices;
- Establish a comprehensive framework for supervisors to address group-wide activities and risks and also establish principles for better supervisory cooperation in order to allow for a more integrated, international approach; and,
- Foster global convergence of regulatory and supervisory measures and approaches.

The release of the Concept Paper is the first milestone in the three-year development phase of ComFrame to be completed by 1 July 2013. ComFrame draws on prior work of the IAIS to strengthen group-wide supervision. The IAIS will then proceed to the calibration phase during which impact studies will be undertaken to evaluate quantitative requirements, in particular.

In commenting on ComFrame, Peter Braumüller, Chair of the IAIS Executive Committee, said, "A global framework for the supervision of internationally active insurers is one of the most important initiatives on IAIS's agenda. It will not only enhance the effectiveness and efficiency of supervision of these groups, but also contribute to our continuing efforts toward stability in insurance markets around the world."



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**About the IAIS:** The IAIS is a global standard setting body whose objectives are to promote effective and globally consistent regulation and 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 over 190 jurisdictions in some 140 countries. More than 120 organisations and individuals representing professional associations, insurance and reinsurance companies, international financial institutions, consultants and other professionals are Observers

## About ComFrame

ComFrame is designed to **operationalise group-wide supervision for IAIGs**. It will also address issues relating to the supervision of financial conglomerates from an IAIG supervisor's perspective.

ComFrame will provide a framework to assist supervisors to **holistically address the risks arising in IAIGs** that may have many different roots, such as in the mixture and development of businesses, in the corporate structures of the IAIG, in governance processes or in its financial condition. ComFrame thus applies a **multidisciplinary approach**. The differences in the normal course of business, stress scenarios and resolution situations will be considered. New risks that may emerge will be captured through the evolving nature of ComFrame. Accordingly, ComFrame aims to be more reflective of the actual, best business practices of IAIGs.

ComFrame will **address both the group-wide and host supervisors' perspectives** by defining roles for cooperation including supervisory colleges – thus enhancing the dialogue, effectiveness and efficiency of group-wide supervision. A key to effective and efficient supervision of an IAIG is the ability of supervisors in each jurisdiction in which the IAIG operates to interact with each other. Supervisors should be able to establish, through the implementation of ComFrame, a common language and approach to the key tasks of supervision that are relevant to the IAIG as a whole.

**Supervision of an IAIG will necessarily involve interaction with the IAIG.** A more integrated, multilateral framework for the supervision of an IAIG is needed to form the bedrock of this interaction. The implementation of ComFrame should result in a streamlining of supervisory processes that will benefit both supervisors and IAIGs and reduce multiple uncoordinated regulatory processes for an IAIG.

As a result, ComFrame has the potential to advance the evolution of various roles in cross-border supervisory cooperation, going far beyond the traditional cross border exchange of information between supervisors. Developing **ComFrame will facilitate considerable information sharing and building of understanding** between the supervisors involved and IAIGs. **ComFrame will initiate the interaction between supervisors**, for example in identifying IAIGs, in assuming roles and responsibilities of group-wide and host supervisors, in cooperating and sharing information, in driving and using supervisory colleges actively and in preparing for crisis management. **ComFrame will also be able to serve as a point of reference for group-wide supervision** to involved supervisors and IAIGs.



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## **Structure**

ComFrame builds on several key Modules which are further elaborated by corresponding Elements. This structure has been designed to allow ComFrame to compartmentalise the various pieces of work and develop them separately yet in a well coordinated manner.

The Modules of ComFrame are:

- Module 1 Scope of Application
- Module 2 Group Structure and Business
- Module 3 Qualitative and Quantitative Requirements
- Module 4 Supervisory Cooperation and Interaction
- Module 5 Jurisdictional matters

**Module 1** is the basis of ComFrame in that it sets out the criteria and process of identification of IAIGs and the scope of supervision along with how insurance supervisors should interact with other sectoral supervisors where an IAIG is a financial conglomerate or is a sub-group within a financial conglomerate.

**Module 2** addresses the structure and business mix of an IAIG from the risk management perspective. Changes in business and intra-group transactions are also considered from a risk management point of view. Furthermore, Module 2 sets out the pro-active steps expected from IAIGs such as contingency planning and protocols relating to handling emergency situations as well as the provision of Information on applicable policyholder protection schemes.

**Module 3** contains both qualitative and quantitative requirements applicable to IAIGs. Qualitative requirements capture corporate governance including the interaction between corporate bodies and fitness and proprietary requirements as well as the setting up and processes for risk management, actuarial, internal audit and other processes. Quantitative requirements address – based on a comprehensive Enterprise Risk Management Approach – liabilities and investments, valuation and capital adequacy.

**Module 4** covers supervisory processes, including interaction among supervisors, supervisory activities and approaches to supervisory intervention, crisis management and resolution as well as reporting and disclosure obligations of IAIGs.

**Module 5** sets out minimum criteria for all IAIS members to meet with ComFrame Prerequisites applying in the expectation that all IAIS members will at a minimum carry out the role of host supervisors of IAIGs. Increased ComFrame Prerequisites apply to those IAIS Members who carry out the role of group-wide supervisors.

Each Element is assigned a specific priority – A, B or C – depending on the timing of delivery. Priority A Elements are further developed and are closer to their final form but are expected to be evolved further as other Modules and Elements of ComFrame evolve. Priority B Elements will be ready for consultation by the end of the second year (1 July 2012), and Priority C Elements by the end of the third year (1 July 2013).

The Concept Paper reflects evolving thinking and open issues which have arisen in the first year of building ComFrame. The draft Modules and Elements are not yet harmonised in their approach and presentation. The benefit of inviting feedback on the Concept Paper now is to further crystallise the needs and methodologies regarding the supervision of IAIGs.