

Newsletter

October 2018

Issue 81



From the Secretary General

October has been a busy month for the Association, as we move to finalise our part of the post financial crisis reform agenda at the same time as we pivot to new themes around digital technology and sustainable development.



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We remain on track in developing the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), including Insurance Capital Standard (ICS) Version 2.0, and a holistic framework for assessing and mitigating systemic risk in the insurance sector. On ICS, there has been an intensive period of data analysis from the 2018 field testing and consideration of further design enhancements, ahead of the launch of the final round of field testing in the first half of 2019. On the holistic framework, the key elements were presented to, and welcomed by, the Financial Stability Board at its plenary meeting on 22 October. A consultation document outlining the holistic framework will be released in November, after our meetings in Luxembourg.

See You in Luxembourg!



From 5-9 November, the IAIS will be gathering in Luxembourg for committee meetings, the Annual General Meeting of the membership, and the 25th IAIS Annual Conference (open to stakeholders). There are just a few more days remaining, so if you have not yet done so, please register today!

Members: To register for the committee meetings, Annual General Meeting and/or the Annual Conference, please click [here](#).

Stakeholders/public: To register for the Annual Conference, please click [here](#).

The programme schedule, along with logistical information, is available on the Annual Conference website.

Work on the development of our next 5-year Strategic Plan and Financial Outlook (SPFO) has continued apace, with the key proposals due to be presented at next week's Annual General Meeting. A core theme is the impact of digital technology on insurance and insurance supervision. To help inform our strategic approach, this month members of the Executive Committee and the Secretariat management team spent time with executives in Silicon Valley and academics at Stanford University, discussing topics such as big data, artificial intelligence, data privacy and cyber security.

I look forward to sharing more about these exciting developments in Luxembourg!

Jonathan Dixon, Secretary General



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

In Focus...**Recovery Planning as an Enterprise Risk Management Tool**

The 2008 global financial crisis brought some financial institutions to the brink of collapse and led authorities to take far-reaching measures to safeguard financial stability.

One of the lessons learned was that both supervisors and financial institutions were not adequately prepared for such a deep crisis. Therefore, financial institutions, including insurers, deemed “too big to fail” have been required to develop recovery plans in advance that identify options to restore financial strength and viability were they to come under severe stress. Recovery planning can also be a useful tool for other insurers, to make crisis management and thinking about recovery options a more explicit part of enterprise risk management.

In light of this, the IAIS has developed supervisory material (ie standards and guidance) on recovery planning as part of its comprehensive revisions of the Insurance Core Principles (ICPs) and the development of ComFrame. The scope of application of recovery plan requirements is internationally active insurance groups (IAIGs) and, as necessary, other insurers.

A recovery plan is a plan developed and maintained by the insurer and has multiple goals, including to aid the insurer in better understanding its own risks in severe stress scenarios, and to be better prepared to provide an effective response.

Since recovery planning is a relatively new theme on which the IAIS received various requests for clarification during the March to June 2017 public consultation, the IAIS is also developing an *Application Paper on Recovery Planning*. A public consultation on the draft paper is set to begin in mid-November.

The Application Paper will explicitly address issues raised during the 2017 consultation, including:

- The relationship between recovery plans and enterprise risk management tools, including Own Risk and Solvency Assessments, contingency plans and other preventive or corrective measures;
- The circumstances in which it is appropriate for the supervisor to require a recovery plan; and
- Implementation of the proportionality principle with respect to a recovery plan.

The Application Paper will also provide guidance and examples of good practices concerning the key elements of a recovery plan, including:

- A trigger framework allowing the insurer to identify in a timely manner any emerging risks that may threaten its viability;
- A set of stress scenarios to assess the credibility and feasibility of the recovery plan; and
- A menu of recovery options, outlining the ways in which the insurer could recover from a severe stress scenario.

The development of the draft Application Paper has benefited from stakeholder input received during a stakeholder event on recovery planning and resolution held on 12 September in Basel, which gathered over 60 participants. Discussions highlighted the importance of senior management involvement and the benefits of testing a recovery plan in practise.

Useful links:

- The IAIS presentation delivered at the 12 September stakeholder meeting on recovery planning and resolution is available on the IAIS website ([link](#)).
 - The draft supervisory material on recovery planning is available on the IAIS Website ([link](#), ICP 16.13 and ComFrame material integrated therein).
 - The draft Application Paper will be available on the IAIS website later this year on the [Current Consultations](#) page.
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**News
Updates****IAIS Planning Public Discussion Session and Public Background Session on IAIS Supervisory and Supporting Material**

The IAIS is planning a public discussion session on 21 November, from 14.00 to 16.30 CET (Basel time), on comments received during the

2018 public consultations on:

- Revised ICP 6 (Changes of Control and Portfolio Transfers) due to be adopted by the IAIS on 8 November 2018;
- Draft revised ICPs due to be endorsed by the Executive Committee on 7 November 2018 and published for information purposes:
 - ICP 8 (Risk Management and Internal Controls);
 - ICP 15 (Investments);
 - ICP 16 (Enterprise Risk Management for Solvency Purposes);
 - Proposed definitions of enterprise risk management-related terms; and
 - ICP 20 (Public Disclosure);
- *Application Paper on the Composition and the Role of the Board;*
- *Application Paper on Supervision of Insurer Cybersecurity and*
- *Issues Paper on the Increasing Use of Digital Technology in Insurance and its Potential Impact on Consumer Outcomes.*

The call will also include a public background session on the draft *Application Paper on Recovery Planning* for public consultation.

The links to the above-mentioned material and the PowerPoint presentation will be published on the IAIS website prior to the call.

If you wish to participate in the conference call, please register online by clicking [here](#). Dial-in details will be emailed to registrants immediately after registration. If you have any questions, please contact iais@bis.org.

**Stakeholder
Engagement****Comment Period on ComFrame and ICS Consultation Documents Closes on 30 October**

The draft overall ComFrame and ICS Version 2.0 are currently under public consultation. Please be reminded that comments are due by 30 October, 24:00 Basel time (Central European Time). Please take note of the change from summer time (CEST) to winter time (CET) in Basel on 28 October.

Check out the IAIS Recovery and Resolution Presentation

The IAIS presentation on recovery planning and resolution, delivered at the 12 September stakeholder meeting, is now available on the IAIS website ([link](#)).

**Meetings and
Events****Upcoming IAIS Meetings: November – December 2018**

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
5-8 November	Parent Committee Meetings (Luxembourg)
8 November	Annual General Meeting (Luxembourg)
8-9 November	Annual Conference (Luxembourg)
12-16 November	G-SII Analysts Working Group (San Francisco)
14 November	Core Curriculum Task Force (teleconference)
4-5 December	Market Conduct Working Group
5-6 December	Accounting and Auditing Working Group (London)
6 December	ICS Task Force (Frankfurt)
6 December	Strategic Planning and Financial Outlook Task Force (Frankfurt)
6-7 December	Insurance Groups Working Group
6-7 December	Macroprudential Policy and Surveillance Working Group (Washington, DC)
10-13 December	Capital, Solvency and Field Testing Working Group (Bermuda)
11 December	Standards Assessment Working Group (teleconference)
12 December	Core Curriculum Task Force (teleconference)
13-14 December	Financial Crime Task Force

Stakeholder Meetings

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

**Seminars and
Training****Upcoming: IAIS – A2ii – Toronto Centre – Bank of Lithuania Training Programme for Supervisors in Central and Eastern Europe and Transcaucasia, 12-16 November, Vilnius, Lithuania**

Jointly organised by the IAIS, A2ii, Toronto Centre and Bank of Lithuania, the purpose of this highly interactive training programme is to help participants understand the importance of a proportionate approach to regulation and supervision in order to improve access to insurance services. It will include sessions on current practices from various jurisdictions related to inclusive insurance.

The programme is designed for middle-to-senior level officials from regulatory and supervisory authorities involved in microinsurance regulation and supervision in the Central and Eastern Europe and Transcaucasia (CEET) region. For more information, please click [here](#).

Committee and Subcommittee Activities

Committee Activities

Executive Committee

The Executive Committee met via teleconference on 12 October and approved a report to the Financial Stability Board Plenary on the IAIS Holistic Framework for Systemic Risk.

Secretariat Support: malene.duncan@bis.org

Subcommittee Activities

Accounting and Auditing Working Group

The Accounting and Auditing Working Group next meets on 5-6 December in London.

Secretariat Support: jay.muska@bis.org

Capital, Solvency and Field Testing Working Group

The Capital, Solvency and Field Testing Working Group (CSFWG) met during the week of 16-19 October in Basel to discuss the initial results of 2018 Field Testing, the Aggregation Method additional data collection, and proposed revisions to ICP 15 (Investment) and ICP 16 (Enterprise Risk Management for Solvency Purposes) as a result of the public consultation in November 2017. Parent committees will discuss this material at meetings in November.

The Field Testing Analysis Team began data analysis in September and will continue to meet monthly through January 2019. The focus of the first two weeks of data analysis was on verifying the data and sending questions to Volunteer Groups to confirm the data submitted. There are 47 Volunteer Groups involved in 2018 Field Testing. There were 12 Volunteers from

interested jurisdictions who submitted data under the Aggregation Method additional data collection.

The CSFWG will host a Volunteer Workshop on 28 November to discuss the initial results of 2018 Field Testing. It will next meet in Bermuda from 10-13 December to continue discussion of the results from 2018 Field Testing, and stakeholder feedback from the ICS Version 2.0 public consultation. The deadline to submit comments for the ICS Version 2.0 consultation document is 30 October.

Secretariat Support: romain.paserot@bis.org and danita.pattimore@bis.org

Financial Crime Task Force

The Financial Crime Task Force met on 25-27 September in Washington, DC. The main items discussed were the following:

- Resolution of comments from the public consultation on the draft *Application Paper on Supervision of Insurer Cybersecurity*; and
- Workplan for revisions to ICP 22 (Anti-Money Laundering and Combating the

Financing of Terrorism) and the *Application Paper on Combating Money Laundering and Terrorist Financing*.

In furtherance of its work, the Task Force received presentations on the topics of cyber insurance and anti-money laundering.

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Governance Working Group

At its meeting on 11-12 September, the Governance Working Group discussed the resolution of public consultation comments on the draft *Application Paper on the Composition and the Role of the Board*. It also continued work on the revision of ICP 8 (Risk Management and Internal Controls) and the draft *Application Paper on Proactive Supervision of Corporate Governance*.

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Supervisory Material Review Task Force

The Supervisory Material Review Task Force met on 2-3 October in Zurich to discuss resolution of public consultation comments received on draft revised ICP 6 (Change of Control and Portfolio Transfers). Draft revised ICP 6 will be presented for adoption by the Annual General Meeting in November. Also, the Task Force discussed feedback to other IAIS subcommittees on draft revised ICP material.

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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

G20 Insurance Forum, 24-26 September, Bariloche, Argentina

Insurance supervisors, industry representatives, G20 members and international organisations met on 24 September in the city of San Carlos de Bariloche to discuss the crucial role of insurance and reinsurance in supporting sustainable growth. The event, hosted by the Argentinean G20 presidency, focused on the themes of infrastructure investment, economic resilience and innovation.



During the first day, Hannah Grant, the A2ii Head of the Secretariat, spoke on a panel exploring the role of the insurance sector in building resilient economies. While highlighting the need to build greater consumer awareness and confidence, she also stressed the need for

insurers to innovate and establish new partnerships to access and better serve consumers. The challenge for supervisors in striking the right balance between consumer protection and supporting market development also came to the forefront. The second day picked up on the same key themes as discussed during the regulators-only meeting. The event was very well attended with around 250 participants taking part on the second day.

Regulatory and Supervisory Approaches to Inclusive Insurance, Impact Insurance Academy, 10-14 September 2018, Turin, Italy

As part of their 10 year celebrations, the International Labour Organisation organised, for the first time, a week-long training on inclusive insurance (ie Impact Insurance Academy) at its training centre in Turin. Representatives from insurance supervisory authorities, associations, international organisations and industry participated.



Earlier this month, the A2ii facilitated an elective on regulatory and supervisory approaches to inclusive insurance at the Impact Insurance Academy. The elective focused on the application of sound supervisory principles to encourage the development of an inclusive insurance market and supervisory approaches to responding to innovative solutions for inclusive insurance. The elective covered the objectives of inclusive insurance, understanding the market, considerations in developing an inclusive insurance framework, monitoring and reporting on inclusive insurance and current trends and challenges to the supervision of

inclusive insurance. The programme was based on the [IAIS Application Paper on Regulation and Supervision Supporting Inclusive Insurance Markets](#), IAIS-A2ii Core Curriculum for Insurance Supervisors and A2ii Toolkits. It followed an interactive approach where participants were encouraged to share their experiences and give insights into proposed approaches in group discussions and activities. The Impact Insurance Academy was hosted by the International Labour Organisation's Impact Insurance Facility and its International Training Centre.

Third National Workshops of the Inclusive Insurance Innovation Lab

The third and final national workshops of the Inclusive Insurance Innovation Lab took place in all four participating countries during the month of September. During the workshops, the country teams reviewed and adjusted their innovation ideas and identified further steps to implementation.



This last workshop also served the purpose of handing over responsibility of the lab to the country teams. The teams developed clear visions for their future work beyond the official end of the lab process. External stakeholders were brought on board to support the implementation of the teams' ideas.

The participating country teams will continue to receive support through the A2ii, the Global Leadership Academy and the facilitation team from Reos Partners until December. The iii-lab process will come to an official end in December through an online reporting session, during which all participating country teams will report

on the progress they have made and identify ways in which they can offer peer support to each other in the future.

Alliance for Financial Inclusion (AFI) Global Policy Forum and Launch of A2ii-AFI Report on Inclusive Insurance in National Financial Inclusion Strategies, Sochi, 6 September

The A2ii moderated a high-level panel discussion on "Scaling insurance for financial inclusion" during the AFI Global Policy Forum. The panel discussion highlighted the role of public-private partnerships and financial education in increasing access to insurance. Moreover, it underscored the importance of including insurance in National Financial Inclusion Strategies and served as the launch event of a joint A2ii-AFI [Inclusive Insurance in National Financial Inclusion Strategies Survey Report](#).

The report summarises the status quo and lessons learned on inclusive insurance in National Financial Inclusion Strategies, based on an A2ii-AFI survey and four country case studies.

The A2ii has also produced a short policy note on "[Inclusive Insurance: A Missing Piece in Many National Financial Inclusion Strategies](#)". This policy note summarises the main findings of the survey report and identifies lessons learned on how to include insurance in National Financial Inclusion Strategies.

Climate Risk Insurance and the InsuResilience Risk Talk Tool – IAIS-A2ii Consultation Call, 20 September (webinar)

This consultation call explored the role of insurance supervisors in climate risk insurance, with presentations by the InsuResilience Global Partnership. Concrete examples were given at different levels (macro and micro).

Furthermore, an interactive community tool that can link insurance supervisors with climate

Inclusive Insurance in National Financial Inclusion Strategies Survey Report



change risk experts known as the “Risk Talk Tool” was introduced. The tool can enable supervisors to receive tailor-made answers on questions regarding climate change risk transfer.

More information on the tool can be found [here](#). Presentations from this consultation call are available on the [A2ii website](#).

Upcoming Events

IAIS-A2ii Consultation Call on the IAIS and Sustainable Insurance Forum’s (SIF) *Issues Paper on Climate Change Risks to the Insurance Sector*, 15 November (webinar)

This consultation call will focus on the joint IAIS-SIF *Issues paper on Climate Change Risks to the Insurance Sector*. Experts will give an overview of the impact of climate change on the insurance sector including current and future risks, and explore potential supervisory responses. Supervisors will also be able to hear concrete examples of observed practices in different jurisdictions. To register for the call, please click [here](#).

Women’s World Banking and Alliance for Financial Inclusion (AFI) Leadership and Diversity Program for Regulators: A New Program of Inclusive Policy Design and Leadership Development for Financial Regulators, Begins January 2019

This programme is intended for senior officials from central banks and other regulatory agencies in emerging markets, to equip them with technical and strategic know-how to create policy and leadership skills to effect change. The nine-month experience begins in January 2019 and includes ongoing virtual learning and a week-long intensive at Oxford University’s Saïd Business School campus. Applications are being accepted on a rolling basis until 2 November. For more information, please click [here](#) or if interested in being part of the inaugural class, [apply](#) now.

Recently Published

[Inclusive Insurance in National Financial Inclusion Strategies Survey Report](#)

This survey report summarises the status quo and lessons learned on inclusive insurance in National Financial Inclusion Strategies, based on a survey as well as four country case studies. The survey was conducted among central banks, ministries of finance, insurance supervisors as well as other financial regulators involved in the development of National Financial Inclusion Strategies. In addition, four country case studies were conducted to collect more detailed insights.

[Inclusive Insurance – A missing Piece in Many National Financial Inclusion Strategies](#)



Policy makers and supervisors have been recognising the importance of National Financial Inclusion Strategies and Financial Sector Strategies as policy tools for financial

inclusion. More recently, insurance has become an integral part of these strategies. Its integration is particularly relevant as insurance market development supports national policy objectives, promotes financial sector development, builds the resilience of vulnerable households, enterprises and communities, fosters the sustainable growth of households, enterprises and communities, and mobilises funds for investments. This note provides a summary of a stock-taking jointly implemented by the A2ii and the AFI, including the main results of a survey and examples from the case study countries of Malaysia, Papua New Guinea, Paraguay and Tanzania.

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.

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