



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

INSURANCE CORE PRINCIPLES, STANDARDS, GUIDANCE AND ASSESSMENT METHODOLOGY

ICP 23
Draft revisions for consultation
June 2015

Clean version

Due to the extent of the revisions, this ICP is only presented in a final (clean) version. Please refer to the current ICP 23 on the [IAIS website](#)

Proposed New Principle

ICP 23 The group-wide supervisor, in cooperation and coordination with other involved supervisors, identifies the insurance group and determines the scope of group supervision.

Guidance

- 23.0.1 Involved supervisors should agree amongst themselves on the identification of the insurance group, including the head of the insurance group, and the scope of group-wide supervision to ensure that gaps or duplication in regulatory oversight between jurisdictions do not occur. If agreement cannot be reached in a timely manner, the ultimate responsibility for determining the identification of the insurance group and scope of group-wide supervision rests with the group-wide supervisor. Decisions should be undertaken on a case-by-case basis.
- 23.0.2 The group-wide supervisor cooperates and coordinates with other involved supervisors, and should be accountable for the appropriateness of the identification of the insurance group and the determination of the scope of group supervision. In particular, in the case of insurance groups that operate on a cross-border basis, the group-wide supervisor should be able to explain the appropriateness of the identification of the insurance group and the determination of the scope of group supervision to involved supervisors in other jurisdictions. The identification of the insurance group and scope of group supervision should be reviewed regularly by the group-wide supervisor, in cooperation and coordination with other involved supervisors.
- 23.0.3 The group-wide supervisor should require the head of the insurance group to provide information needed to identify the insurance group and to determine the scope of group-wide supervision. The head of the insurance group provides the information to the group-wide supervisor, who disseminates it to the other involved supervisors as needed.
- 23.1 The group-wide supervisor, in cooperation and coordination with other involved supervisors, identifies all legal entities that are part of the insurance group.**
- 23.1.1 To ascertain the identity of an insurance group, supervisors should first identify all insurance legal entities within the corporate structure.
- Supervisors should then identify all entities which have control over those insurance legal entities. If this results in only one identified entity, this entity is the head of the insurance group. If there is more than one entity with control over the insurance legal entities, supervisors should identify the head of the insurance group as the entity which has the greatest level of control over the insurance business.
- 23.1.2 A practical method for determining the entities within the insurance group is often to start with entities included in the consolidated accounts. The head of an insurance group including an insurance-led financial conglomerate is at least one of the following:
- an insurance legal entity

- a holding company

The identified insurance group includes the head of the insurance group and all the legal entities controlled by the head of the insurance group. Legal entities within a group could include:

- operating and non-operating holding companies (including intermediate holding companies);
- other regulated entities such as banks and/or securities companies;
- non-regulated entities; and
- special purpose entities.

23.1.3 The head of an insurance group is assumed to control all legal entities in the meaning provided for in the definition in ICP 6.1.

Supervisors should consider legal entities included in the consolidated financial statements and other relationships such as

- common Directors;
- membership rights in a mutual or similar entity;
- involvement in the policy-making process;
- material transactions; and
- and other relationships not included in the consolidated financial statements.

The insurance group may be

- a subset/part of a bank-led or securities-led financial conglomerate; or
- a subset of a wider group, such as a larger diversified conglomerate with both financial and non-financial entities.

23.1.4 Examples of the types of group structures that could be captured by the definition of insurance groups are provided in the diagrams below (Figure 23.1, 23.2, 23.3 and 23.4). These examples are for purposes of illustration only, and are not intended to set forth all possible forms of insurance groups.

23.1.5 The ICP's definition of "insurance group" may be different from the definitions used in other contexts, such as accounting or tax purposes.

23.2 The group-wide supervisor, in cooperation and coordination with other involved supervisors, determines the scope of group-wide supervision.

23.2.1 Involved supervisors should consult and agree on the scope of group-wide supervision of the insurance group to ensure that there are no gaps and no unnecessary duplication in supervision among jurisdictions.

A practical method to determine the entities to capture within the scope of group-wide supervision is to start with entities included in the consolidated accounts. Entities that are not included in consolidated accounts should be included if they are relevant from the perspective of risk (non-consolidated entities also subject to supervision) or control. The entities that may be captured within the scope of group-wide supervision may either be incorporated or unincorporated.

- 23.2.2 In considering the risks to which the insurance group is exposed it is important to take account of those risks that emanate from the wider group within which the insurance group operates.
- 23.2.3 Individual entities within the insurance group may be excluded from the scope of group-wide supervision if the risks from those entities are negligible.
- 23.2.4 The exclusion or inclusion of entities within the scope of group-wide supervision should be regularly re-assessed.
- 23.2.5 It should be noted that the supervisory approach to entities/activities within the insurance group may vary depending on factors such as their types of business, legal status and/or nature, scale and complexity of risks. Although an insurance group as a whole should be subject to group-wide supervision, not all quantitative and qualitative supervisory requirements applied to an insurance legal entity should necessarily be applied to other entities within the group, to the insurance group as a whole, or to a sub-group collectively.

23.3 The supervisor does not narrow the identification of the insurance group or the scope of group-wide supervision due to lack of legal authority or supervisory power over particular legal entities.

- 23.3.1 In some jurisdictions, the supervisor may not be granted legal authority or supervisory power for the direct supervision of some entities within the identified insurance group or the scope of group-wide supervision. These may include legal entities regulated in another sector or non-regulated entities within the same jurisdiction. In addition, as a general rule the supervisor does not have direct legal authority or supervisory power over entities situated in another jurisdiction.
- 23.3.2 Where a supervisor has no direct legal power over certain legal entities in the scope of the group-wide supervision, the supervisor will use its power over regulated entities to obtain similar supervisory outcomes.

Illustrations to assist the identification of insurance groups

Figure 23.1 Insurance Group

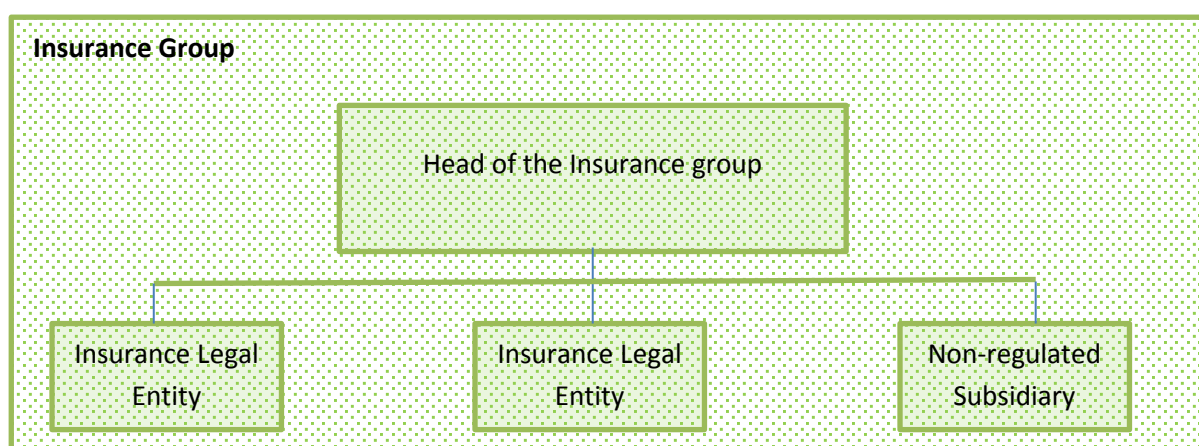


Figure 23.2 Financial Conglomerate

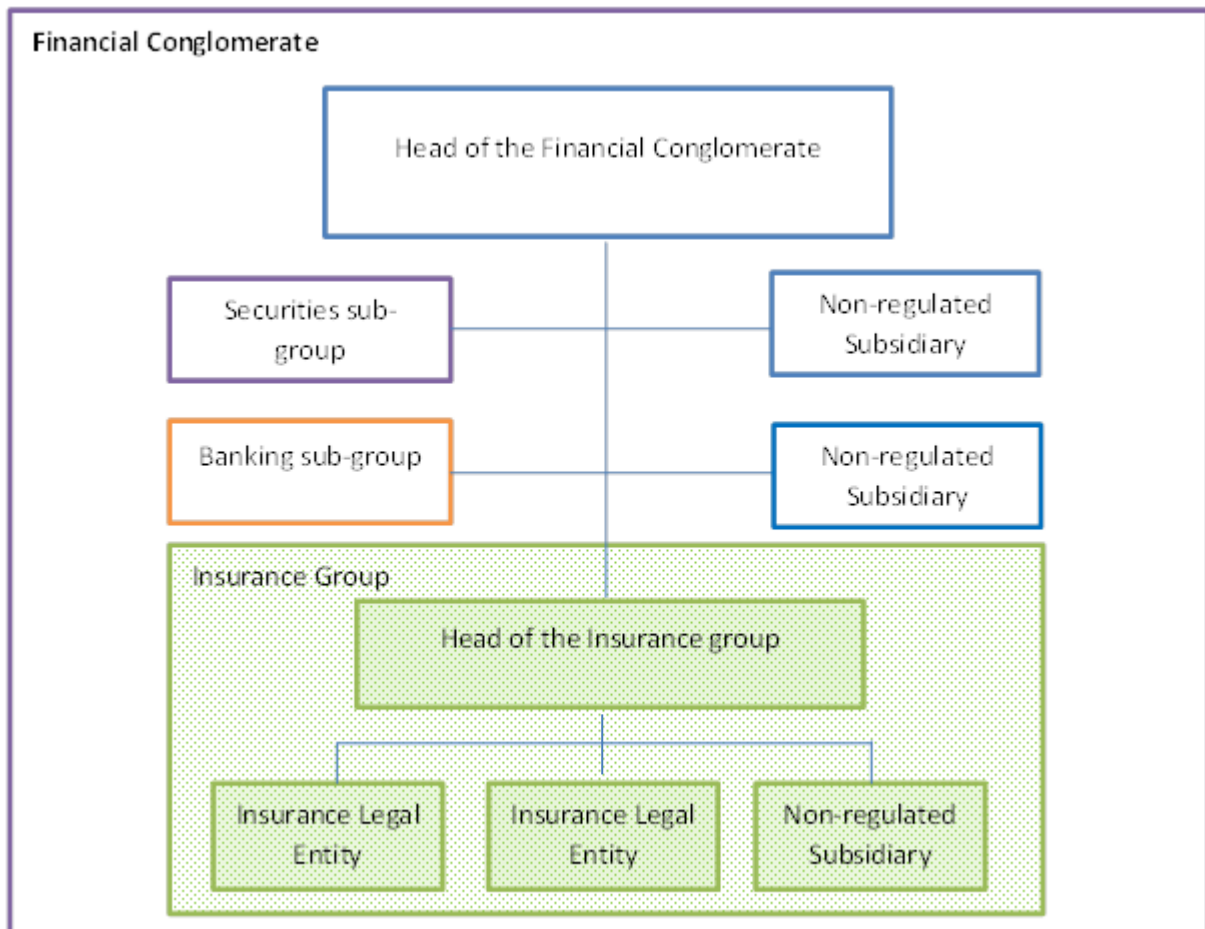


Figure 23.3 Insurance-led Financial Conglomerate

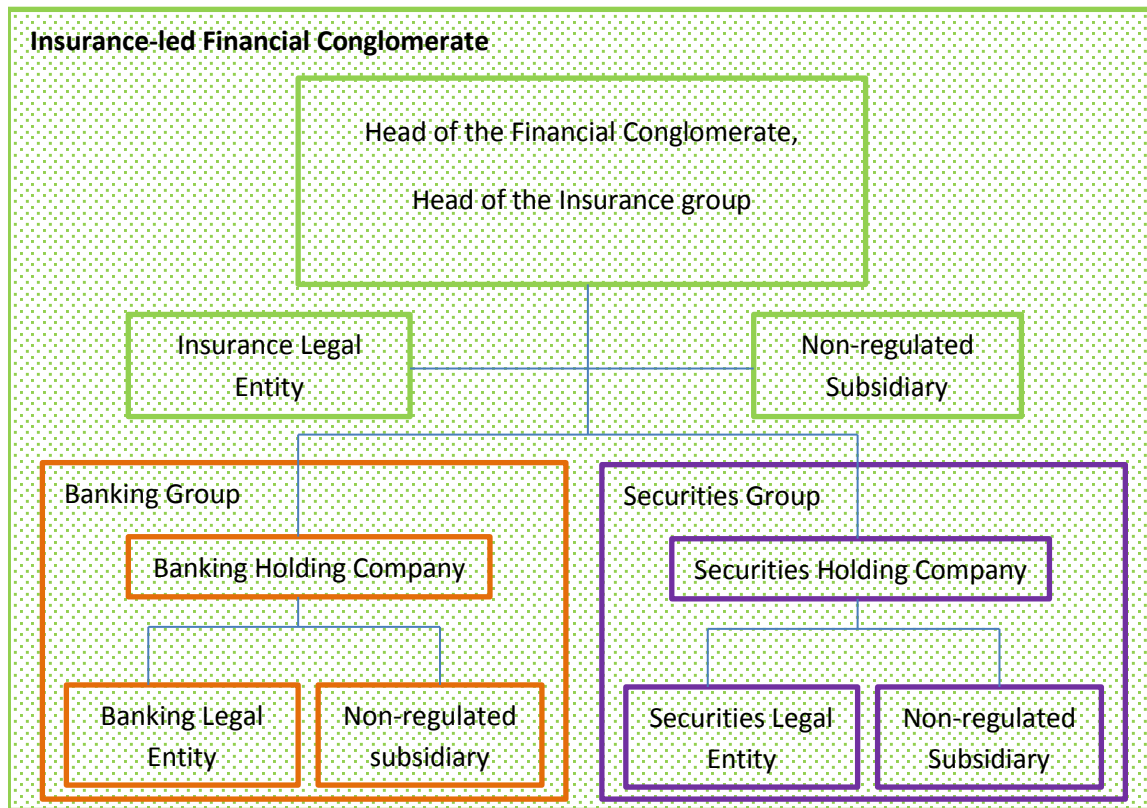


Figure 23.4 Wider group

