



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Technical Committee

General Work Programme

Urs Halbeisen, Vice Chair of Technical Committee
Global Seminar and Stakeholder Dialogue
June 2015
Macau



Content

1. General Work Programme
2. ComFrame and Capital
3. Stakeholder Input

TC – Accounting and Auditing

- Draft IAIS positions and provide input for the development of new and revised international accounting and auditing standards:
 - Regular dialogue with IASB on insurance contracts project matters;
 - Provide input for the IAASB's Financial Institutions Working Group
 - Develop comment letters on key discussion papers and exposure drafts;
 - Participate in IASB Advisory Council, IAASB CAG, Monitoring Group, etc.
- Consider the need to develop IAIS materials on external audit related matters
- Revision work for ICPs 20 and 14 (with Capital Development WG)
- Support of ComFrame Field Testing Task Force, for valuation matters

TC – Governance

Review of ICP 4, 5, 7, 8 (Presented yesterday)

- Following up on Self Assessment Peer Review (SAPR)
- To take into consideration group issues (aligned with IGWG)
- To align with work done by the FSB and Basel Committee
- Public Consultation July/August 2015
- Stakeholder dialogue on consultation comments 5th October
- Presentation to Parent Committees for final approval November 2015

ComFrame:

- Field Testing of Module 2 Qualitative Elements:
 - Analyse results from Field Testing
 - Suggest follow-up revisions to ComFrame Module 2
- Drafting input into Module 3

TC - Governance

Application Paper on Group Corporate Governance and Control functions

- Drafting an Application Paper on ICPs 7 and 8 related to Group Corporate Governance to provide additional guidance to supervisors following adoption of the Issues Paper on Group Corporate Governance in 2014

Application Paper on ICPs 7 and 8

- To provide additional guidance to supervisors to follow up on the outcome of the Self-Assessment and Peer Review report

TC - ICP Review

Task Force established April 2015. Mandate to:

- Provide steering and propose solutions to overarching issues and issues of general concern in the ICPs under review, particularly address overarching issues such as the approach to **proportionality** in the ICPs
- Comment on proposed ICP amendments by other Subcommittees to ensure consistency in approaches and drafting styles, including proposing resolution of double/multiple jeopardy issues; and
- Develop a Drafting Style Guide to be followed in the further ICP revisions

TC - ICP Review

Task Force will also:

- Review and draft amendments to the ICP Introduction and Assessment Methodology
- Review and propose amendments to ICPs that are not under the responsibility of a specific Subcommittee, i.e.:
 - ICP 1 Objectives, Powers and Responsibilities of the Supervisor
 - ICP 2 Supervisor
 - ICP 6 Changes in Control and Portfolio Transfers
 - ICP 9 Supervisory Review and Reporting
 - ICP 10 Preventive and Corrective Measures
 - ICP 11 Enforcement

TC – Insurance Groups

- Review of ICP 23 and other group related policy drafting improvements
 - Includes ICP 23, 25, introductory statements, glossary definitions
 - Aligned with work done by GWG
 - Public Consultation July/August 2015
 - Stakeholder session 5th October
 - Presentation to Parent Committee for final approval November 2015
- Support of ComFrame Field Testing Task Force

TC – Market Conduct

- *Draft Issues Paper on Conduct of Business risk and its Management*
 - Raise awareness of conduct of business risks, including how these can affect consumers/customers as well as insurers and the insurance/financial sector
 - Consider their sources and impact (including examples), and mitigation
 - Consider their interaction with prudential risks
 - Consider approaches to managing conduct of business risks both by the industry and by supervisors
- Public Background Session 26 June 2015, 15.00 (CEST)
- Public Consultation July/August 2015
- Stakeholder session 5th October
- Presentation to Parent Committee for final approval November 2015
- *Drafting an Application Paper on Approaches to Intermediary Supervision*

TC – Financial Crime

- Cyber-crime:
 - Drafting an Issues Paper on Cyber-Crime
 - Identifying any need for further work on guidance for supervisors
 - Monitoring developments with respect to cyber-crime and supervisory approaches within the financial sector
- Updating ICPs 21(Countering Fraud in Insurance) & 22 (Anti-Money Laundering and Combatting the Financing of Terrorism)
- Monitoring work of the Financial Action Task Force (FATF)
- Monitoring developments in combatting terrorist financing

TC – Resolution

- For G-SIIs:
 - Input to FSB work on
 - Critical functions
 - Resolution strategies
 - Input for FSB's resolution strategies and for CMGs
 - Policyholder protection schemes (PPS)
 - Creditor hierarchies
 - Consideration of applicability of loss absorbing capacity (LAC) in resolution of G-SIIs
- Non G-SII work in respect to recovery and resolution:
 - ICPs: mainly ICP 12 but also introduction, pre-conditions, some references in other ICPs and glossary definitions
 - ComFrame: Module 3 Element 3



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ComFrame – Progress on Field Testing

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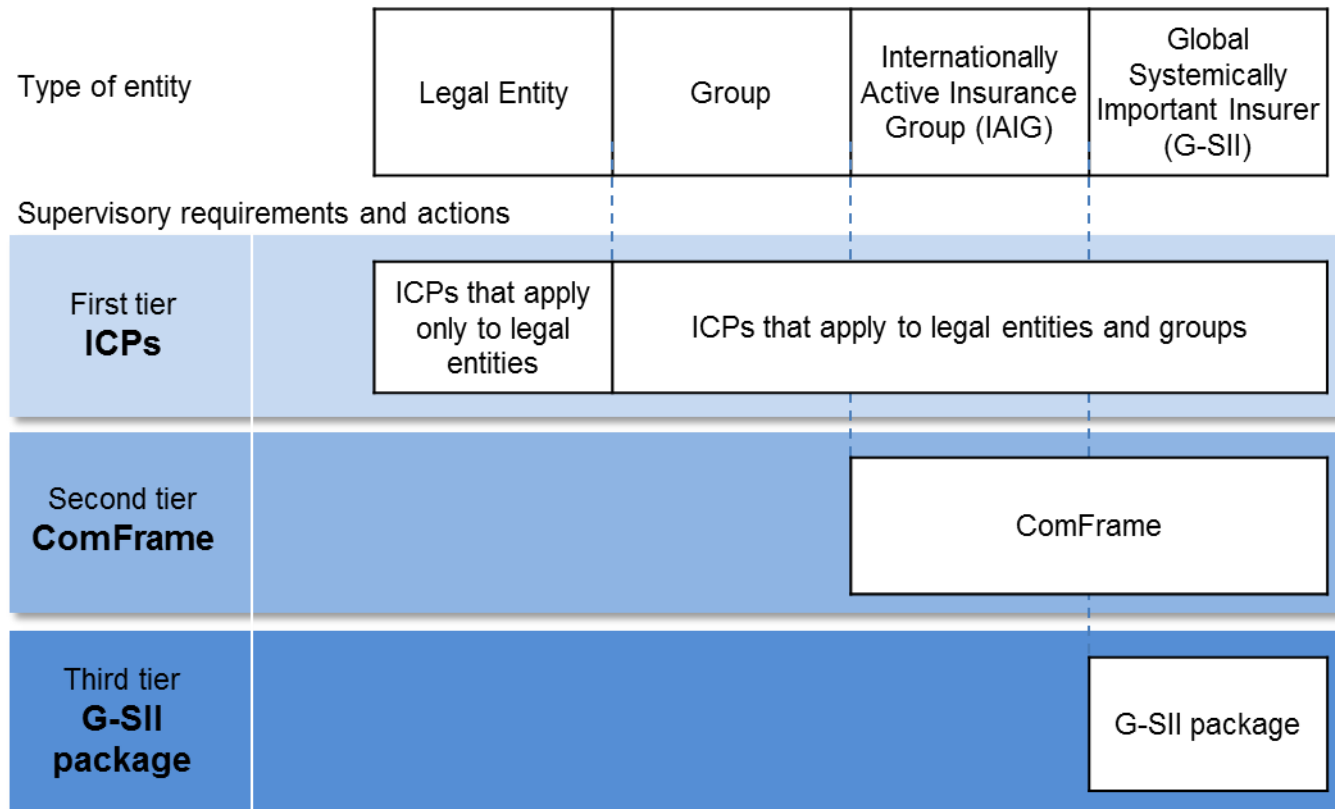
Content

1. IAIS Architecture

2. Field Testing

The IAIS Three-layer Approach

Architecture of IAIS international supervisory requirements



ComFrame - Background

Objectives:

- Establish a comprehensive framework for Group-wide supervision
- Foster global convergence of regulatory and supervisory requirements

Scope:

- IAIGs and G-SIIs

ComFrame hierarchy

- Supervisory requirements:
 - ComFrame standards
 - Parameters
- Guidelines

Field Testing - The principles

- Field Testing will assess all aspects of ComFrame
- Quantitative field testing is used to inform the development of the ICS
- Qualitative field testing is equally important and will be used to assess;
 - Costs and benefits of the qualitative aspects
 - The practicality of implementation
 - Identification of gaps between current practices of IAIGs and ComFrame requirements
 - Identification of gaps between current jurisdictional requirements and ComFrame requirements

ComFrame - Field Testing Module 1

Oct 2013 - Module 1 field testing launched with a survey of all IAIS Members

- The survey covered:
 - Scope of group-wide supervision
 - Population of IAIGs
 - Powers over the Holding company
- Report was provided in June 2014

ComFrame - Field Testing Module 1

Powers at Holding company level: findings/recommendations

- Provide supervisors with the direct power to;
 - Request information from the Holding company
 - To conduct on-site inspections at the Holding company level including subsidiaries relevant to the overall risk of the IAIG (even if they are not insurance legal entities)
 - To be able to request formal discussions with members of the Governing Body, Senior Management and Key Persons in Control Functions of the Holding company without regard to which legal entity within the group they are legally employed
 - To be able to perform fit and proper assessments of members of the Governing Body, Senior Management and Key Persons in Control Functions of the Holding company

ComFrame - Field Testing Module 1

Powers at Holding company level: findings/recommendations (cont.)

- All of these powers should be supported by escalating supervisory actions and enforcement powers if the Holding company refuses to comply.
- Legislation or rules should be clear with regard to the requirements for IAIGs set out in Module 2 of ComFrame and there should be no ambiguity that the Holding company is the body ultimately responsible for compliance with requirements derived from ComFrame

ComFrame - Field Testing Module 1

Identification criteria: findings/recommendations

- No strong reason to change the size criteria for IAIG identification
 - These criteria remain at US\$50 billion insurance assets and US\$10 billion of gross written premiums, except that to align with the scope of the group the criteria should include all assets rather than just insurance assets
 - International activity criteria remains at 3 or more jurisdictions
- ComFrame will apply to G-SIIs
- Further guidance is required in regards the application of supervisory discretion to ensure consistency across jurisdictions
- Guidance on determining the scope should be expanded

ComFrame - Field Testing Module 1

Scope of supervision: findings/recommendations

- ComFrame should specifically indicate that all insurance entities should be included within the scope of the group regarding the risk they pose to the insurance group
- The scope of calculation of the ICS should include non-insurance financial activities
- Further guidance required in regards outsourcing arrangements within the scope of group supervision
- The possibility of two group-wide supervisors be removed from ComFrame i.e. should be always limited to a single group-wide supervisor
- Further work on group structures that are difficult to supervise

ComFrame - Field Testing Module 2

Qualitative aspects cover:

- Group structure and corporate governance
- Enterprise Risk Management
- For field testing, both are based on the ComFrame draft document that was approved by the Technical Committee in June 2014

Testing focuses on ComFrame Standards and Parameters

- Guidance may help to provide context, but is not viewed as a ComFrame requirement per se
- ComFrame text is written from the standpoint of the IAIG; for group-wide supervisors, the questions should be read as “the supervisor requires the IAIG to fulfill the conditions of the standards/parameters”

ComFrame - Field Testing Module 2 Timeline

Module 2 field testing launched in Oct 2014

Two phases of field testing;

- Phase 1 covers Module 2 Elements 1 and 2
- Phase 2 covers Module 2 Elements 3 and 4

Phase 1 responses were received end-January 2015 and results currently being analysed

Phase 2 responses are due by end-April 2015

Results of the field testing exercises will be taken into account for the next consultation on ComFrame

ComFrame - Field Testing Module 2 Questions

Example of questions posed to IAIG volunteers –

- Does the IAIG currently fulfill the requirements of the standard / parameter?
 - If not, what changes would have to be made in order to comply with ComFrame?
- Are there other reasons for the changes to be made other than ComFrame?
 - If changes are to be made only as a result of ComFrame, what are the costs associated with these changes?
- IAIGs are also requested to comment on the benefits of ComFrame

Example of questions posed to supervisors –

- Does the GWS currently impose requirements on IAIGs to achieve the standard / parameter?

(Follow up questions are similar to those posed to the IAIGs.)

ComFrame – Field Testing Module 2

- Phase 1 results – still analysing and need to ask some follow-up questions
- Initial analysis promising – high congruence between IAIG practices and ComFrame standards and parameters, less at jurisdictional law level (as expected)

ComFrame - Module 3

- Further development to occur on Module 3 (The Supervisor) with a consultation to occur
- Principal reason for further development with respect to the ICS and how the GWS and the college take into account the ICS in the supervisory process
- Beginning 1Q 2017 field testing of the revised Module 3 with supervisors
- Recovery and resolution requirements in Element 3: currently under development; to be consulted publicly in Q2 2016

IAIG supervision in the 2020s and beyond

- Insurance industry will be more global in 2020s than it is today
- IAIGs will do increasing business outside their home markets
- Emerging markets will mature – insurance penetration will increase with wealth increase
- IAIGs will be dealing with more insurance supervisors – bigger supervisory colleges
- Some companies that are now domestic will become IAIGs

ComFrame – post adoption by the IAIS – implementation within jurisdictions

- Common language – better understanding among supervisors
- Increased trust among supervisors – understand framework for group supervision and benefits for GWS and host

Questions/Comments?