



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

HANDBOOK FOR ASSESSING IMPLEMENTATION OF IAIS SUPERVISORY MATERIAL

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Handbook for Assessing Implementation of IAIS Supervisory Material

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Foreword

1. The Handbook for Assessing Implementation of IAIS Supervisory Material (the Handbook) contains the guidance and principles for assessments and reviews undertaken by the International Association of Insurance Supervisors (IAIS).
2. The Handbook is written for assessors, assessed jurisdictions and experts seeking information on how assessments and reviews are undertaken.
3. The Handbook, which was first released in 2013, was designed to set out the general approach to be applied when conducting assessments and reviews. Since its release, the approach has evolved to incorporate lessons learnt by the successive Expert Teams.
4. The Handbook shall be periodically revised to reflect changes in how the IAIS undertakes its assessments and reviews.

Objectives of the IAIS' Assessment Activities

5. The IAIS represents over 200 insurance supervisory authorities (Members) from over 140 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.
6. In support of its mission, the IAIS recognises the importance of consistent and comprehensive implementation of its supervisory material. The assessment process is a critical step towards consistent and comprehensive implementation of the IAIS' Insurance Core Principles (ICP).
7. Members are encouraged to assess their supervisory and regulatory framework against the IAIS' supervisory material in order to enhance their understanding and observance of the same.
8. Members will gain a valuable insight by completing the assessment process as they will be better able to identify the nature and extent of any weaknesses or gaps in their supervisory and regulatory frameworks; for example, being able to identify issues which could potentially affect policyholder protection and insurance sector stability.
9. There are a variety of ways in which assessments against IAIS supervisory material can be conducted such as:
 - Self-assessments performed by the insurance supervisory authority, sometimes with the assistance of outside experts;
 - Reviews conducted by third parties; and
 - Financial Sector Assessment Program (FSAP), a joint assessment programme of the International Monetary Fund (IMF) and the World Bank.

Types of Assessments

Self-Assessment and Peer Review against the ICPs

10. In 2011, following the adoption of the revised ICPs, the IAIS developed a programme for carrying out targeted Self-Assessment and Peer Reviews (SAPR) against the ICPs. The SAPR process is led by the Implementation Committee (IC) and is conducted on a thematic basis, ie, the ICPs are grouped together by theme.
11. The SAPR process is designed to assist participating authorities in assessing their own observance level against the ICPs.

Main Stages of the Assessment

12. Each SAPR assessment consists of four main phases: formation, preparatory, self-assessment and peer review, and lastly the reporting and follow up stage.

Stage	Key Steps	Time Frame
Formation	- Select a Specialist - Recruit an Expert Team - Select an Expert Team leader	2 Months
Preparatory	- Development of initial questionnaire and assessment criteria by the Specialist - Review of questionnaire by Implementation Committee and (Sub)Committees	2 - 3 Months
Self-assessment and peer review	- Prepare IT Tool - Circulate invitation to IAIS Members - Review of responses and preparation of DRAFT individual jurisdiction reports for comment	3 - 5 Months
Reporting and Follow up	- Review of comments and finalisation of individual jurisdiction reports - Finalisation of an Aggregate Report	2 Months

Specialist Selection

13. For each SAPR assessment, it is the responsibility of an appointed specialist to prepare an initial draft questionnaire. Following consultation with the Expert Team, relevant IAIS Committees and working parties, the draft questionnaire together with the relevant ICPs and if appropriate, an Application Paper will be reviewed and finalised.
14. The appointed specialist should have expert-level knowledge of the subject matter being assessed and relevant experience of having previously conducted similar exercises.

15. The specialist's key responsibilities are:

- To prepare a draft questionnaire suitable for a horizontal review of observance against relevant Standards and ICPs;
- To prepare a draft scoring criteria to be used alongside the questionnaire; and
- To assist with the drafting of an aggregate report.

16. The specialist selection process shall be initiated by the IAIS. The suitability of the appointed specialist shall be measured against competencies and experiences listed in Annex I.

Expert Team Selection

17. The IC Chair shall formally invite nominations to form a team of experts. Following the Chair's announcement, an invitation will be sent to all Members seeking volunteers, detailing the skills and experience required and the proposed schedule.

18. When considering which individuals to appoint to the Expert Team, factors to take into account include geographical balance, sufficient knowledge and expertise in the assessed area and relevant prior experience. Ideally, the selected team should have a working knowledge of the IAIS working groups. Further, the team should reflect a range of experience in areas including legal systems, market development and size.

19. It would be beneficial for the Expert Team to include representation from the World Bank and/or the IMF; the reason being is that this will allow an opportunity for valuable learning points to be shared with these institutions, thereby helping to ensure compatibility with future FSAP assessments.

20. It is recommended that the Expert Team comprises of 5 or 6 members (excluding the Secretariat), in order to increase team cohesion and efficiency.

21. Following appointment, the Expert Team members shall be presented to the Implementation Committee for endorsement.

Selection of Expert Team Leader

22. Having first consulted with the Expert Team the IAIS will identify a suitable team leader and will then request that the IC Chair approve the proposal.

Questionnaire & Assessment Criteria – Factors to consider during initial drafting/preparation

23. A well drafted questionnaire and scoring criteria is essential in order to ensure the SAPR assessment is effective and meaningful for all the parties involved.

24. The questionnaire should seek to balance the need for incisive answers that are assessable, with ease of comprehension. This is best done through multiple choice questions. It may however, be necessary to include open ended questions. These questions should only be used to support and/or clarify Standard assessment. It is important to limit open ended questions to only those that are critical for the assessment.
25. The questionnaire should be drafted such that each Standard must be assessed. Accordingly, questions addressing the requirements established in each Standard are necessary for a complete assessment.
26. The specialist should prepare an assessment criteria for scoring answers provided in the self-assessment component of the SAPR. This assessment methodology will provide the basis for an initial determination of the observance level for the Standards and ICPs being assessed. The Expert Team must review and refine the assessment criteria used for scoring the responses. It is suggested that the assessment methodology should be prepared using the Microsoft Excel programme.
27. The assessment methodology for assessing observance of Standards must be consistent with the ICP Assessment Criteria for Standards as detailed below:

18. In making the assessment, each of the standards has to be considered. The standards should be assessed using five categories: observed, largely observed, partly observed, not observed, and not applicable.

19. For a standard to be considered observed it is usually necessary that the supervisor has the legal authority to perform its tasks and that it exercises this authority to a satisfactory level. Where the supervisor sets requirements it should also ensure that these requirements are implemented. Having the necessary resources is essential for the supervisor to effectively implement the requirements. Authority provided in the legislation is insufficient for full observance to be recorded against a standard except where the standard is specifically limited in this respect. In the event that the supervisor has a history of using a practice for which it has no explicit legal authority, the assessment may be considered as observed if the practice is clearly substantiated as common and generally accepted.

20. Assessments are based solely on the legislation and other supervisory requirements and practices that are in place at the time. Nevertheless, improvements already proposed by the supervisor can be noted in the assessment report by way of additional comments so as to give credit for efforts that are important but at the time the assessment is made, have yet to be fully implemented. Similarly, legislation that does not meet with a satisfactory level of observance in practice cannot provide the basis for recording a standard as "observed". As a result, it is important to recognise when the assessment is conducted and to record this in the report.

21. For a standard to be considered as largely observed, it is necessary that only minor shortcomings exist which do not raise any concerns about the supervisor's ability to achieve full observance with the standard. A standard will be considered partly observed whenever, despite progress, the shortcomings are sufficient to raise

doubts about the supervisor's ability to achieve observance. A standard will be considered not observed whenever no substantive progress toward observance has been achieved.

22. A standard would be considered not applicable if the standard does not apply given the structural, legal and institutional features of a jurisdiction.

28. Based upon the assessment of the Standards, the Expert Team can then make a decision on the observance level of the Principle(s). The methodology for assessing observance of Principles must be consistent with the ICP Assessment Criteria for Principles as detailed below:

23. As noted above, the level of observance for each ICP reflects the assessments of its standards. An ICP will be considered observed whenever all the standards are considered to be observed or when all the standards are observed except for a number that are considered not applicable. An ICP will be considered to be not applicable when the standards are considered to be not applicable.

24. With respect to an assessment of an ICP that is other than observed or not applicable, similar guidance is to be used as applies to the standards themselves. So, for an ICP to be considered largely observed, it is necessary that only minor shortcomings exist which do not raise any concerns about the supervisor's ability to achieve full observance with the ICP. An ICP will be considered partly observed whenever, despite progress, the shortcomings are sufficient to raise doubts about the supervisor's ability to achieve observance. An ICP will be considered not observed whenever no substantive progress toward observance has been achieved.

25. While it is generally expected that full observance of an ICP would be achieved through the observance of the standards, there may be instances, where a jurisdiction can demonstrate that observance with an ICP has been achieved through different means. Conversely, due to specific conditions in a jurisdiction, meeting the standards may not be sufficient to achieve observance of the objective of an ICP. In these cases, additional measures are needed in order for observance of the particular ICP to be considered effective.

29. In order to complete an assessment of the ICP, all Standards contained within that ICP must be assessed.
30. The guidance contained within the ICPs is not subject to assessment. However, the guidance can serve to provide valuable insights for the Expert Team when drafting the questions and when interpreting the intent and objectives of the Standard.

Final review of the Questionnaire by Implementation Committee and relevant (Sub) Committees

31. Once the Expert Team is satisfied with the questionnaire, it must be circulated for a final review to the IC and to the relevant IAIS Subcommittee(s). Any issues which are identified during the review process must be considered by the Expert Team prior to the questionnaire being distributed to the IAIS Members.

Preparation prior to the distribution of the Questionnaire to IAIS Members

32. In addition and prior to the questionnaire being finalised, the platform upon which the questionnaire will be made available must have been fully tested and all identified issues resolved. The testing of this platform, shall be undertaken by the Members. In the event there are issues raised during the testing process, then these must be communicated to the Expert Team and the questionnaire should be revised as necessary. Following any revisions to the questionnaire, it is advisable that a second round of testing is undertaken to ensure there are no further concerning issues to address prior to the questionnaire being circulated to the Members for completion.

Questionnaire participation:

33. All Members are invited to participate in the SAPR assessment process and participation is not compulsory. The aim should be to seek a high participation rate as this will enhance the IAIS' overall understanding and observance of the ICPs in respect of their wider range of Members. Further, a strong response rate will improve the quality of the analysis undertaken by the Expert Team.
34. In circumstances whereby multiple authorities are involved in insurance supervision within one jurisdiction, then it shall be permissible for more than one authority from that jurisdiction to participate in the SAPR assessment.
35. All participants should be given adequate time to complete the questionnaire. The timeframe provided for completion of the questionnaire will be mainly dependent upon the complexity of the topic being assessed, an appropriate timeframe could range from four to six weeks. In order to encourage a strong response rate, it is advisable to send reminders to the IAIS Members.
36. There are additional steps which can be taken in order to raise awareness and encourage participation of the SAPR assessment and these include:
- Profiling the SAPR assessment in the IAIS Newsletter and publish a separate announcement on the IAIS website.
 - Regional coordinators should be encouraged to reach out to the IAIS Members in their region so that they can encourage participation.

Completion of the questionnaire

37. The Members complete the SAPR assessment using the online survey tool. The introduction to the self-assessment should clarify:
- Self-assessment functionality;
 - Any key terminology that is used in the self-assessment which may require elaboration; and
 - Milestone dates for the SAPR assessment exercise.
38. The participant will be required to provide contact details for a point of contact in order that the IAIS contact can correspond, as necessary with the Expert Team.
39. Members are required to provide further information within the comment section of the survey in circumstances whereby parts of the insurance sector are regulated and supervised in different ways, or if there are substantive differences in the regulation and supervision of life and or/ non-life insurance.

Review of responses and preparation of DRAFT individual jurisdiction reports for comment

40. Upon receipt of the completed self-assessment, an initial assessment shall be created against the assessment scoring criteria as agreed by the Expert Team. The IAIS shall use this information to prepare initial draft reports. The Expert Team shall then review the initial assessment results. Thereafter, the Expert Team must consider any comments provided within the self-assessment to ensure accuracy of the assessment as well as horizontal consistency.
41. Based on the individual assessment, each participating Member shall receive a draft individual report. For each assessed Standard and ICP, the individual jurisdiction report must identify any significant impediments to observance.
42. The IAIS assessment and peer review reports should be designed so that they can be shared with the World Bank and the IMF FSAP assessors by jurisdiction during the self-assessment component of a Review of Standards and Codes (ROSC).
43. The draft individual report is then distributed to individual jurisdictions for review and comment.
44. As the report is in draft form, review by the responding authority is required to correct any errors or elaborate on areas where they feel the assessment should be reconsidered. A period of four weeks should be a sufficient timeframe to allow for a complete review.
45. Following completion of the review, the Expert Team will meet to consider any corrections and comments provided by the Members on the draft report.

Final Reports

46. The final reports should be issued by the Expert Team within 8 weeks of having received comments on the draft reports.
47. If a participant disagrees with the assessment contained in the final report, the participant should contact the IAIS Secretariat, who will facilitate a conversation with the Expert Team lead.
48. If, following a discussion with the Expert Team lead the participant remains of the view that the assessment is incorrect, the participant can submit final written comments elaborating on the reason(s) why they believe the assessment is incorrect for inclusion as a jurisdiction response in the final report.
49. The final reports shall be provided to the Regional Coordinators (RC) on a confidential basis in order to provide guidance on Members needs in that region. The participating members will have the option to opt out of providing their final report to the RC if they wish.

Finalisation of Aggregate Report

50. On the basis of all responses received to the self-assessment and the final assessment reports, an aggregate report is drafted. The aggregate report provides an overview and analysis of the Expert Team's findings. The final aggregate report should reflect the assessment and should be structured, insofar as possible, in a manner which is consistent with previous aggregate reports.
51. Depending on the number of participating participants, the aggregate can disaggregate results on a regional level. Any disaggregation should not reduce the sample sizes to such an extent that individual assessments could be determined.
52. The aggregate report should contain recommendations for steps that either the IAIS or Members could take which could enhance observance of the ICPs or improve clarity of the ICPs that have been assessed.
53. The IAIS Secretariat will draft the aggregate report based on the discussions of the Expert Team and with support from the specialist. The aggregate report will be shared with the IC and relevant working groups, for review and comment. The IAIS will review the comments with the Expert Team and makes any necessary revisions. The aggregate report is then submitted for formal approval by the IC before being submitted to the Executive Committee for formal approval.
54. The aggregate report is a public document produced from the SAPR assessments by the Expert Team.

Reviews of Application Papers

55. Beyond the established Self-Assessment and Peer Review programme, the IAIS conducts reviews focused on Application Papers.
56. Application Papers are designed to provide additional guidance for supervisors on IAIS supervisory material. As such, Application Papers are classified as supporting material and not supervisory material. The definition below comes from the IAIS Member Handbook:

...Application Papers provide additional material related to one or more ICPs, ComFrame or G-SII Policy Measures, including actual examples or case studies that help practical application of supervisory material. Application Papers could be provided in circumstances where the practical application of principles and standards may vary or where their interpretation may pose challenges. Application Papers can provide further advice, illustrations, recommendations, or examples of good practice to supervisors on how supervisory material may be implemented.

57. Since 2016, the IAIS has conducted one review against an Application Paper, “The Application Paper on Supporting Inclusive Insurance Markets”. In line with the Application Paper, the review focused on determining whether supervisors had supportive regulatory and supervisory practices for enhancing financial inclusion.

Following Approach of SAPRs

58. In general, the stages for reviews against application papers should follow the same process as assessments against the Insurance Core Principles, consisting of the following four stages:
- Formation (Planning)
 - Preparatory
 - Self-assessment and peer review
 - Reporting and Follow up
59. The remaining paragraphs in this section will identify the distinct considerations for reviews against Application Papers.

Establishing Scope

60. When undertaking a review against an Application Paper, it is critically important that there be a clear objective of the review in how the review will address the subject matter and, simultaneously, support implementation.

61. As such, the IC should establish clear objectives and carefully define the scope of the review as well as being clear on the ultimate deliverables from the review.
62. Any consultations with working groups should occur as early as possible when defining the scope of any reviews involving Application Papers. The working group should have an opportunity to comment on the objectives and scope of the review.

Team and Specialist Selection

63. When selecting an Expert Team, it is important to ensure that the team represents the broad IAIS Membership. Members should come from a range of markets and IAIS regions. While valuable, the participation from the World Bank or the IMF is less important for reviews against Application Papers.
64. If a specialist is selected to support the review, the specialist should be a subject matter expert and experienced in developing questionnaires similar in essence to the ICP assessments, with the questionnaire containing a limited number of open ended questions.

Development of Questionnaire and Assessment Criteria

65. The key consideration when developing the questionnaire and the assessment criteria is establishing what information the review is aiming to report, both to those who participate individually and the broader community of stakeholders, including the relevant standard setting working groups. The objectives and scope of the review, as defined by the IC in consultation with relevant working groups, should clearly indicate what the reporting of the review will contain.
66. As noted, Application Papers are not supervisory material. As such, the Expert Team will not explicitly follow the methodology established in the ICPs. Whilst the ICP methodology can be informative in defining the approach, the review should carefully consider what, if any, review categories the review will have.
67. For example, the review of the Application Paper on Supporting Financial Inclusion focused on supportiveness of the policy and regulatory framework, as well as the on-going supervisory practice of supervisors for financial inclusion. The questions asked were based on the Application Paper. The options provided for responding supervisors allowed the Expert Team to determine the overall level of supportiveness, which ranged through fully supportive, largely supportive, partly supportive and not supportive.

Review of Policy Measures for Globally Systemically Important Insurers

68. In 2016 the IAIS approved a comprehensive and multiphase programme for examining implementation of the IAIS' policy measures for globally systemically important insurers (GSII).

69. The first stage of the review will require home supervisors to undergo an exercise of self-reporting. The team established to work on this review will also work with the IC to develop the necessary processes for this assessment. The Handbook will be revised in due course to reflect this new process.

ANNEX I

1. Areas of expertise

The Specialist needs to have expertise in developing technical questionnaires with expert knowledge of the Insurance Core Principles.

It is useful for the Specialist to have technical knowledge of policy, regulation and supervision:

- Regulation, policy and supervision of the financial sector. Know-how of other supervisory ambits is an advantage
- Knowledge of the International Association of Insurance Supervisors (IAIS)
- Knowledge of government instruments and administrative processes.

2. Skill set required

The Specialist should have substantial capacity in the areas listed below:

- Experience in developing technical questionnaires and assessing responses to the questionnaire
- Team player
- Analytical skills
- Knowledge of environments where incompleteness of data is an issue
- Consulting skills and the ability to form reasoned arguments
- Communication skills
 - ability to communicate complex arguments or messages succinctly
 - ability to deal with a wide range of people, from supervisors and other government officials, industry, insurance customers, particularly low-income customers and community groups
- Writing skills, including preparation of well structured, well documented and well-reasoned papers
- Work experience in emerging markets and developing economies is preferable.