



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Public discussion session

Draft revised ICPs 1, 2, 3, 9, 10, 12, 25
and ICP Introduction and Assessment Methodology

16 November 2017



Agenda

- General information
- Question & answer session

- Draft revised ICP Introduction and Assessment Methodology and ICPs 1, 2, 9 and 10
- Question & answer session

- Draft revised ICPs 3 and 25
- Question & answer session

- Draft revised ICP 12
- Question & answer session

Background information

- Revisions of ICPs related to ComFrame to be adopted by Annual General Meeting (AGM) together with ComFrame at the end of 2019 (adoption before possible as exception to be justified by relevant Subcommittee).
- Revisions of ICPs completed before 2019 (as per current timeline) endorsed by the Executive Committee and published on the IAIS website as drafts for information purposes only.
- Revised draft ICPs (published on the IAIS website) may be subject to potential further changes given ongoing work on ICPs/ComFrame material – before adoption by AGM at the end of 2019.
- Revised ICPs are not expected to be implemented until adopted by AGM.

Links to relevant materials

- Endorsed draft revised ICPs can be found [here](#).
- Resolution of comments on revised ICP 1 and ICP 2 received during public consultation can be found [here](#).
- Resolution of comments on revised ICPs 9, 10, 12 and 25 and the Introduction to ICPs received during public consultation can be found [here](#).
- Resolution to confidential comments communicated only to the relevant respondent.

ICP INTRODUCTION AND ASSESSMENT METHODOLOGY, ICPS 1, 2, 9 AND 10

Ryan Workman, Chair of the Supervisory Material Review Task Force

Introduction

- Responsible Subcommittee: Supervisory Material Review TaskForce (SMRTF)
- Two consultations periods:
 - 3 March – 2 June 2017 for Introduction to ICP and ICP 9 and 10
 - 28 June – 29 August 2017 for ICP 1 and 2
- Participation: more than 40 Stakeholders (including multi-stakeholder groups) and Members

ICP Introduction and ICP 9

ICP Introduction and Assessment Methodology:

- Added language on the use of “should” versus “may” in guidance (paragraph 3) in response to stakeholder comments on ICP 12.
- Improved language on consistency of assessments on ICPs (paragraph 21).
- Amended text on policyholder protection (paragraph 45), mainly to provide clarity and make consistent with other IAIS material.

ICP 9 (Supervisory Review and Reporting):

- Mainly changes made to improve readability and consistency of language.
- Inserted reference to ICP 2 and 3 on confidentiality of information (guidance in 9.1.3).
- Guidance on advance notice before on-site inspections changed in response to comments from various stakeholders (guidance in 9.6.7).
- Improved the link to ICP 10, referring to the supervisory dialogue (guidance in 9.7.1).

ICP 10

- ICP 10 (Preventive Measures, Corrective Measures and Sanctions):
 - Changes after consultation are fairly limited
 - Improved guidance text on standard 10.2 on preventive measures
 - ICP 10.3 guidance text on recovery plans not part of this revision. Paragraphs are closely tied and provide a link to the ComFrame material on recovery plans, which is currently still being revised by the IAIS Resolution Working Group. This process continues to 2018.
 - 10.3.3 The supervisor may require an insurer to produce a recovery plan that identifies in advance options to restore financial strength and viability, and apply the recovery plan as a corrective measure if the insurer comes under severe stress. It may be appropriate for the supervisor to require a recovery plan of an insurer that is, for example, complex, systemically important and/or has a different risk profile or business model compared to other insurers.
 - 10.3.4 The insurer's Senior Management should provide to the supervisor the necessary input to enable it to assess the robustness and credibility of the recovery plan.
 - 10.3.5 Recovery plans should be reviewed at least annually, or more frequently if there are material changes to the insurer's business or structure, and updated where necessary.

ICP 1 and 2

ICP 1 (Objectives, Powers and Responsibilities of the Supervisor):

- Changed standard 1.2 on the objectives of the supervisor to be more neutral - in response to mixed responses from both stakeholders and Members. Three objectives still include policyholder protection, financial stability and promotion of fair, stable, safe insurance market.
- Included a reference to cooperation and coordination amongst authorities in guidance text (1.1.3).
- Other changes made in response to public consultation comments are mainly editorial to improve readability and consistency.

ICP 2 (Supervisor):

- Various editorial changes and text reorganized for improved readability.
- Added concrete examples to the guidance text on independence of supervisors (e.g. on receiving gifts from or being involved with supervised entities) (guidance in 2.1.6).
- Improved the standard 2.7 and guidance on confidentiality of information. We however do not explicitly mention cyber risk.



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Comments/Questions?



ICPS 3 AND 25

Tom Crossland, Chair of the Insurance Groups Working Group

Introduction

- Responsible Subcommittee: Insurance Groups Working Group (IGWG)
- Consultation Period: 3 March – 2 June 2017
- Participation: 23 Stakeholders (including multi-stakeholder groups) and 10 Members
- Purpose: presentation of revised draft ICPs 3 and 25 endorsed by the Executive Committee and published for information purposes only (adoption by the general membership at end-2019, after further possible amendments if needed)

Main changes and revisions: ICP 3

- Consistency of language and terminology improved.
- Overlaps between ICPs 3 and 25 removed (e.g. confidentiality requirements included only in ICP 3 and removed from ICP 25).
- Explained concepts of a 'legitimate interest' and a 'valid supervisory purpose' in requesting information.
- The importance of having a basis to exchange information between supervisors in different jurisdictions and various forms of cooperation explained:
 - ✓ Bilateral or multilateral agreements can be used to facilitate information sharing.
 - ✓ IAIS MMoU as a preferred preferred framework for multilateral information exchange if all relevant parties are signatories of the IAIS MMoU.
 - ✓ Greater clarity that consent required before onward sharing from one supervisor to another relevant authority.

Main public consultation comments on ICP 3

- Requests for clarification of specific terms such as “information” and “supervisors and authorities”. ✓
- Requests to highlight importance of confidentiality agreements. ✓
- Some stakeholders suggested that a revised ICP 3 should focus less on ‘confidentiality’ and more on ‘professional secrecy’. ✗
- Involvement of insurers in information exchange among supervisors and relevant authorities. ✗

Main changes and revisions: ICP 25

- ICP 25 significantly reorganised and shortened, with consistency of language and terminology improved and a clearer focus on intra-group cooperation.
- Avoidance of unnecessary text duplications within the ICP itself and with the 2014 IAIS Application Paper on the functioning of colleges.
- Much of the current ICP 26 (Cross-border cooperation and coordination on crisis management) moved to ICP 25 (restructured and reworded content in ICP 25.7 – ICP 25.9).
- Main elements of revised ICP 25:
 - ✓ Group-wide supervisor: identification process and main responsibilities.
 - ✓ Other involved supervisors: main responsibilities.
 - ✓ Coordination arrangements as a general framework for supervisory cooperation.
 - ✓ Supervisory colleges: establishment and functions.
 - ✓ Supervisory cooperation in preparing for crisis management and during a crisis.

Main comments on ICP 25

Respondents asked that the IAIS:

- clarify that whilst involved supervisors should be consulted and informed, supervisory decisions remain the responsibility of each involved supervisor. ✓
- apply the proposed requirements for emergency and crisis management plans in the college coordination agreement to all insurance groups not just IAIGs. ✗
- take a more proportionate approach regarding the information flows from the involved supervisors to the group supervisor based on the relevance and significance of the information. ✗
- emphasise in ICP 25 that information sharing is subject to confidentiality arrangements between jurisdictions (per ICP3). ✓

There were also many drafting suggestions to improve clarity and readability. ✓



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ICP 12

Urs Halbeisen, Chair of the Resolution Working Group

Recovery and Resolution – general update

- ICP (10.3 guidance text on Recovery Plans)
 - Closely linked to ComFrame standard under ICP 10.3
 - Not part of current draft revised ICP 10 – will be revised together with ComFrame material on recovery plans in 2018
- ICP 12 (Exit from the Market and Resolution)
 - Responsible Subcommittee: Resolution Working Group (ReWG)
 - Consultation Period: 3 March – 2 June 2017
 - Participation: 34 Stakeholders (including multi-stakeholder groups) and 13 Members
- We will develop an Application Paper to provide further background on recovery and resolution and thereby address various stakeholder comments received during the consultation

ICP 12 changes after public consultation

- Consistency of language and terminology improved
 - e.g. in explaining the No Creditor Worse Off Principle (NCWOL) and the liquidation claims hierarchy
- Amended standard 12.3 on planning for operations and risks in possible resolution scenarios
 - New standard explicitly mentions that requirement is not needed for all insurers (“to require, if necessary”)
 - No use of the word “resolution plan” – this is only relevant to IAIGs in ComFrame
- Added language on the need for coordination between authorities:
 - Guidance added in 12.4.4 and 12.5.8 on the possible need for coordination agreements
 - Amended standard 12.13 to include the need for coordination and cooperation when branches from insurers from another jurisdiction are involved

ICP 12 comments from stakeholders

- Requirements *versus* recommendations and allowing for flexibility:
 - Provided more background on nature of guidance text in the overall ICP Introduction but not separately in ICP12 (i.e. guidance is not a requirement, but merely a recommendation (“should”) or suggestion (“may”))
- Requests for applying requirements on independence, transparency and information sharing also to resolution authorities and supervisors in relation to resolution:
 - Other ICPs, including ICP 2 (Supervisor) and 3 (Information Sharing and Confidentiality Requirements) already automatically apply to supervisors
- Proportionality principle:
 - Proportionality principle applies throughout ICPs
 - Some explicit references and clarifications in ICP 12
 - Will be further elaborated in Application Paper



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