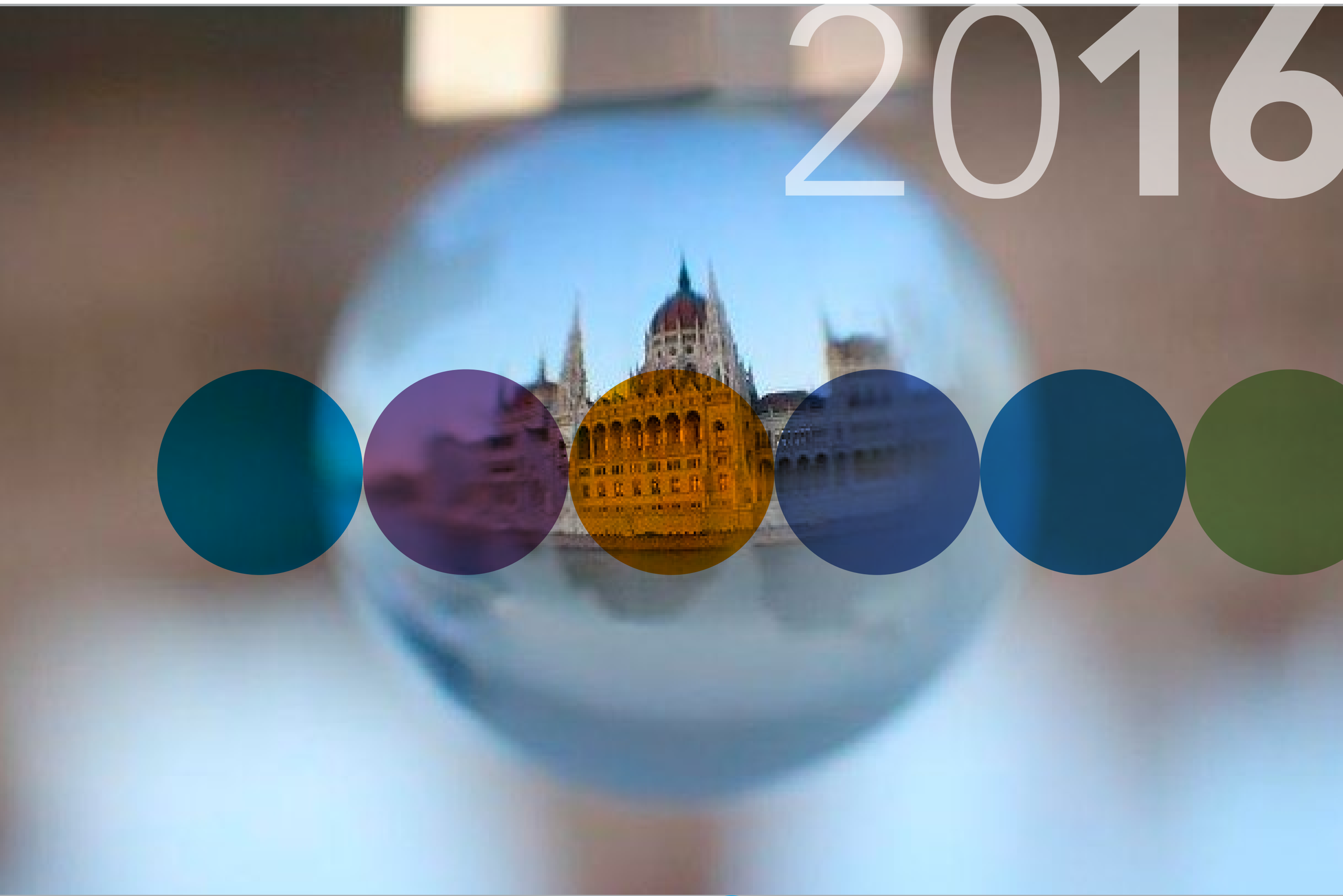
IAIS
INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS



IAIS ANNUAL REPORT

Activities from January through December 2016

Including 2016 Financial Statements

TABLE OF ACRONYMS

A2II	Access to Insurance Initiative
CSFWG	Capital, Solvency and Field Testing Working Group
FSTC	Financial Stability and Technical Committee
GIMAR	Global Insurance Market Report
G-SII	Global Systemically Important Insurer
IAA	International Association of Actuaries
IAASB	International Auditing and Assurance Standards Board
IAIG	Internationally Active Insurance Group
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ICP	Insurance Core Principle
ICS	Insurance Capital Standard
ISA	International Standard on Accounting
KIRT	Key Insurance Risks and Trends
MMOU	Multilateral Memorandum of Understanding
SAPR	Self-Assessment and Peer Review

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MESSAGE FROM THE SECRETARY GENERAL

Yoshihiro Kawai
Secretary General

"Making the Impossible, Possible"

As Secretary General, I have had the privilege of living through a remarkable period of IAIS history – one marked by a root culture of commitment to its mission and cooperation across jurisdictions. The issues IAIS Members tackle are often complex and the parties involved are typically many and diverse. Discussions can be intense, but are always constructive and built on a foundation of cooperation that is the source of IAIS success. From the beginning, IAIS Members have helped one another by exchanging information and developing and implementing supervisory standards. Thanks to the continued dedication and cooperation, and the strong operational foundation supporting its work, the IAIS has achieved excellent results. These results demonstrate why the IAIS has a history of making the impossible, possible.

For instance, some said it was impossible for the IAIS to develop Insurance Core Principles (ICPs). We now have 26 ICPs. Some said developing a systemic risk assessment process was not possible. The IAIS now has effective entity-based processes in place, while also exploring an activity-based approach to systematic risk assessment. Others said it was impossible to develop the Basic Capital Requirement. Once again, what was said to be impossible was made possible because of the vision and commitment of IAIS Members.

The IAIS has made remarkable progress on the Insurance Capital Standard (ICS) through intensive field testing, analysis and discussion. We are excited about the July 2017 release of Version 1.0 for extended field testing. In 2016, the IAIS continued to make progress on ComFrame, the Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs), including both qualitative standards and the development of ICS Version 1.0 for extended field testing. It updated the assessment methodology for Global Systemically Important Insurers (G-SIIs) and applied it in making G-SII recommendations to the Financial Stability Board. Several ICPs were revised and, subject to Executive Committee approval, were scheduled for public consultation in March 2017. The Stakeholder Engagement Task Force completed work on a draft Stakeholder Engagement Plan.

As the volume of projects would suggest, the rhythm of our work is changing. This organisation is experiencing a steady increase in the number of meetings, consultations stakeholder events and papers.

As I pointed out in my report at the 2016 IAIS Annual General Meeting, and as evidenced by our many workstreams, the IAIS contributes to a whole range of insurance activities from standard-setting to standard implementation, from financial stability to financial inclusion. It contributes more directly to regulation and supervision within Member jurisdictions. IAIS assessment activities are achieving significant results. Over 115 jurisdictions have now participated in the Self-Assessment and Peer Review (SAPR) programme.

IAIS standards directly influence Member regulation and supervision. The meetings, negotiations and debates have grown more robust as the stakes have risen and the timeframes for achieving our goals have become more compressed.

This evolution is both positive and remarkable. As we contribute to insurance supervision and regulation globally, it is important that we do not forget the importance of the process – the process of dialogue, understanding and learning from one another.

Because of the intensity of our schedule throughout the year, we must redouble our efforts to allocate sufficient time for reflection and planning. As we do from time to time in our personal lives, this is critical to our long-term organisational well-being and achieving the ambitious goals reflected in our mission statement and five-year strategic plan

So as we move forward, let's recommit ourselves to the root culture of cooperation and appreciation that has made the "impossible, possible", for the greater good of all and continue to enjoy the success built upon this foundation.

ABOUT US

Established in 1994, the International Association of Insurance Supervisors (IAIS) is a voluntary Member-driven, non-profit organisation of insurance supervisors and regulators formed under Article 60 of the Swiss Civil Code. With over 210 Members (accounting for nearly 100% of worldwide premium volume),[1] the IAIS is the international standard-setting body responsible for developing and supporting the implementation of principles, standards and guidance for the supervision of the insurance sector.

The IAIS provides an important forum for Members and stakeholders to discuss supervisory practices and issues of mutual interest.

Because the IAIS represents a body of informed professional opinion within the field of insurance supervision, the Group of 20 and many international bodies routinely call upon the collective expertise of IAIS Members. Hosted by the Bank for International Settlements, the IAIS operates with the support of a Secretariat located in Basel, Switzerland under the direction of a Secretary General.

GOVERNING STRUCTURE

The IAIS consists of the following three organs: the General Meeting of Members, the Executive Committee and its committees and subcommittees, and the Secretariat.

The **General Meeting of Members** may amend the by-laws; adopt principles, standards and guidance developed by the association or other persons or entities not already adopted by the Executive Committee (eg Executive Committee defers the decision to the General Meeting), elect Executive Committee Members and take other actions specified in the bylaws.

The **Executive Committee** is responsible for providing strategic direction and managing IAIS affairs in a manner consistent with the specific duties set forth in the by-laws. It appoints the Secretary General and takes all decisions necessary to achieve the IAIS mission in accordance with the directions given by the General Meeting. From time-to-time, it creates subcommittees to work on specific issues. Representatives are drawn from every region of the world and different types of insurance markets.

In accordance with IAIS by-laws, the Executive Committee has established the following four committees, all of which report to the Executive Committee:

- Audit and Risk
- Budget
- Financial Stability and Technical
- Implementation

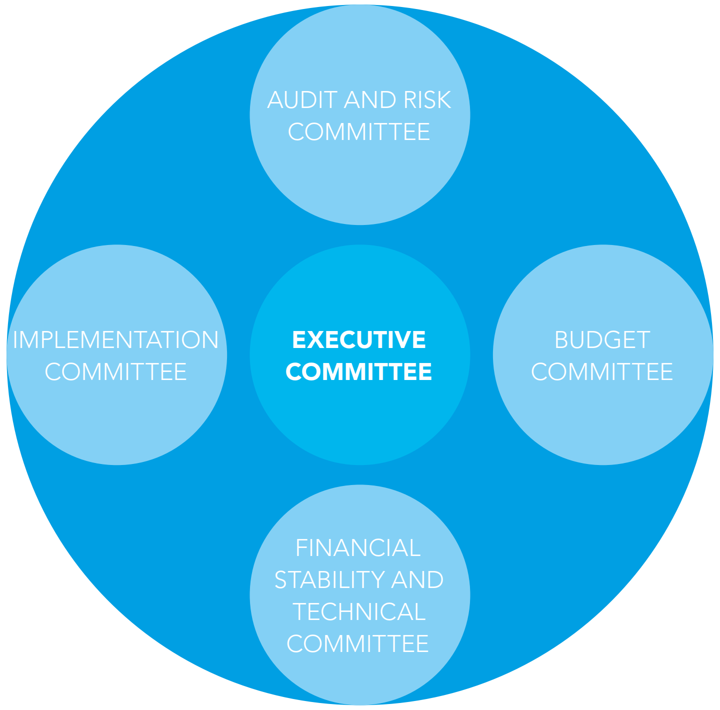
The **Audit and Risk Committee** is responsible for reviewing IAIS internal controls and monitoring IAIS activities for achievement of objectives and compliance with applicable procedures and resolutions.

The **Budget Committee** is responsible for proposing an annual budget and annual member fees to the Executive Committee and periodically reporting to the Executive Committee on the financial situation of the IAIS.

The **Financial Stability and Technical Committee** (FSTC) is responsible for developing international principles, standards, guidance and other documents related to insurance supervision and performing work on issues related to financial stability, systemic risk and macroprudential supervision and surveillance. It steers and oversees this standard-setting and financial stability work consistent with strategic guidance from the Executive Committee.

[1] A current membership list can be viewed by clicking here.

IAIS COMMITTEES



"Actively contributing to the IAIS mission promotes mutual understanding globally for the benefit of consumers and policyholders around the world".
Gabriel Bernardino, Chair, EIOPA; Member, IAIS Executive Committee

This includes, but is not limited to, completing, reviewing and updating IAIS supervisory and supporting material; developing ComFrame, including an ICS; and analysing and developing IAIS supervisory and supporting material on issues related to financial stability, systemic risk and macroprudential supervision.

The **Implementation Committee** is responsible for issues related to assessments and assistance in the implementation of IAIS principles, standards and guidance.

The IAIS holds committee meetings at least four times a year, and subcommittee meetings on an as-needed basis, in Member jurisdictions throughout the world.

The **Secretariat** is directed by the Secretary General appointed by the Executive Committee and acts at the direction of the Executive Committee. Its main responsibilities are to support IAIS activities; ensure efficient communication among Members, stakeholders and others; maintain and reinforce the IAIS; facilitate cooperation with other institutions; manage the financial, material and human resources of the IAIS and carry out all other functions assigned by the Executive Committee.

MISSION

The IAIS is guided by the following mission statement:

The IAIS mission 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.

In carrying out its mission, the IAIS operates in an open and transparent manner, setting an appropriate example of transparency, administrative due process and governance, while maintaining the ability of supervisors to exchange sensitive information in confidence. All consultations on supervisory and supporting material are conducted in public.

Stakeholder meetings are an integral part of the IAIS decision-making process. Extensive stakeholder engagement is reflected in the work of IAIS committees and subcommittees and in the commitments contained in the IAIS Stakeholder Engagement Plan.

The IAIS mission has evolved steadily over time. Starting out modestly as a forum to exchange views and information, the IAIS has evolved into a global insurance standard-setting body responsible for developing and assisting in the implementation of supervisory and supporting material and contributing to financial stability. Yet, importantly, it still serves as a forum for Members to share their experiences and understanding of insurance supervision and insurance markets.

In addition to its mission statement, the IAIS is guided by a five-year Strategic Plan and Financial Outlook, with the current version covering the period 2015-19. As shown in Figure 1, this strategic plan includes seven "High Level Goals", each of which is accompanied by specific strategies for achieving that goal and supported with a detailed project roadmap.

It is important to point out that the IAIS is a stand-setter, not a legislature. Members do not pass laws; through agreement, they recommend principles and standards and provide supervisory guidance. It is the prerogative of the appropriate sovereign authorities to implement or not implement IAIS core principles, standards or policies.

IAIS HIGH LEVEL GOALS, 2015 – 19

1. Assessing/responding to insurance sector vulnerabilities
2. The IAIS as global standard setter for insurance
3. Contributing to financial stability in the insurance sector
4. Enhancing effective supervision
5. Enhancing implementation/ observance of ICPs
6. Effective stakeholder outreach and external interaction
7. Effective and efficient organisation and operations

Figure 1

EVOLUTION OF THE IAIS MISSION (1994-2016)

Modest Beginnings (1994): Forum to exchange views and information and disseminate statistical/technical information

Taking Shape (2004): Cooperate to improve supervision of the insurance industry to maintain efficient, fair, safe and stable insurance markets for the benefit and protection of policyholders; promote the development of well-regulated insurance markets; and contribute to global financial stability.

Current Form (2010): 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 contribute to global financial stability.

Figure 2

"When I joined the IAIS in 1994, the Association was a big family of insurance supervisors. Today, it is still a big family but now a recognized international standard setter".

Peter Braumüller, Managing Director, Austrian Financial Market Authority; former Chair, IAIS Executive Committee, and Chair, IAIS Budget Committee

ACTIVITIES

The IAIS reach in the global insurance sector is broad. Work streams include, but are not limited to, capital and solvency, financial stability, governance, accounting and auditing, resolution, reinsurance, systemic risk, conduct of business, risk management, FinTech, emerging risks, financial inclusion and supervisory capacity building.

These work streams all fit together and feed into and support one another. Standard-setting is the origin of IAIS activities from which the other work streams are developed. They rest upon this foundation. There is a sequential order to IAIS activities. Activities undertaken by the IAIS in furtherance of its mission can be grouped into three primary areas: standard-setting, financial stability and implementation.

"Throughout the last two decades the IAIS has evolved in a dramatic way. The two main drivers in this evolution have been its capacity to adapt to the changing global financial environment and the outstanding commitment of its membership".
Manuel Aguilera Verduzco, former IAIS Executive Committee Chair

STANDARD-SETTING

Standard-setting is a core IAIS activity. The IAIS develops and publishes supervisory, supporting and other material with the objective of promoting consistent, sound and effective supervision of the insurance sector. The IAIS completed substantial standard-setting work in 2016.

Supervisory material consists of principles, standards and guidance and is classified into the following categories using a three-tier approach as depicted in Figure 3: ICPs, ComFrame, and G-SII policy measures. The ICPs apply to the supervision of all insurers within a jurisdiction. ComFrame builds upon the ICPs with standards and guidance specific to the supervision of IAIGs.

The three-tier approach reflects the proportionate response of the IAIS; that is, that supervisors should have the flexibility to tailor certain supervisory requirements and actions in accordance with the nature, scale and complexity of individual insurers and exercise "supervisory common sense" – fit solutions to the risk in a flexible and evolving way that achieves IAIS objectives but does not impede stable business development.

Supporting material consists of **Issues Papers** and **Application Papers**. Issues Papers provide background on particular topics, describe current practices, actual examples or case studies pertaining to a particular topic and/or identify related regulatory and supervisory issues and challenges. Issues Papers are primarily descriptive and not meant to create expectations on how supervisors should implement supervisory material. Issues Papers often form part of the preparatory work for developing standards and may contain recommendations for future work by the IAIS.

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 with the 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 and implementation 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.

Supervisory and supporting material must undergo a public consultation process.

The IAIS produces other written material such as reports, surveys and comment letters that falls outside of supervisory and supporting material

(For a complete list of action taken on supervisory and supporting material, please see pages 44-45 of this report.)

ARCHITECTURE OF IAIS INTERNATIONAL SUPERVISORY REQUIREMENTS

Type of Entity	Legal Entity	Group	Internationally Active Insurance Group	Global Systematically Important Insurer
First tier ICPs	ICPs that apply only to legal entities	ICPs that apply to legal entities and groups		
Second tier ComFrame			ComFrame	
Third tier G-SII package				G-SII package

Figure 3

FINANCIAL STABILITY

The IAIS plays a central role in contributing to global financial stability. It does this in two key ways. First, the IAIS, along with other standard-setting bodies, central banks and financial sector supervisors, participates in a global initiative under the purview of the Financial Stability Board and the Group of 20, to identify global systemically important financial institutions. The focus of the IAIS analysis is in relation to potential G-SIIs. These are insurance entities whose distress or disorderly failure would cause significant disruption to the global financial system and economic activity. The IAIS develops the G-SII assessment methodology and adopts policy measures to address systemic risk.

As part of the G-SII identification process, the IAIS developed an initial assessment methodology in July 2013 and published an updated version in 2016 in accordance with its planned three-year review cycle. The IAIS reviews the assessment methodology every three years to capture improvements noted by IAIS Members, developments in the insurance sector, changes in insurer activities or products, growth in the global insurance markets, and improvements in methods and approaches for measuring systemic importance in the insurance sector and the broader financial sector. Following the 2016 update, the next scheduled update will begin in 2018 and be published in 2019. The IAIS applies its assessment methodology in making recommendations to the Financial Stability Board as part of the annual G-SII identification process.

Second, the IAIS contributes to global financial stability by assisting IAIS Members with enhanced macroprudential surveillance tools. The IAIS has developed a framework for macroprudential policy and surveillance in insurance. This builds on the foundation laid down in the ICPs approved in October 2011 (and revised in October 2013), and in particular on ICP 24 (Macroprudential Surveillance and Insurance Supervision), which provides the principles and standards for macroprudential policy and surveillance to be implemented by supervisors.

The Global Insurance Market report, or GIMAR, is published annually by the IAIS. It is an importance component of the IAIS macroprudential policy and surveillance framework. The GIMAR collects and reports data reflecting the performance of primary insurers and reinsurers as well as key developments in the global insurance market from a supervisory perspective, focusing on the recent performance of the sector as well as key risks faced by it. The IAIS Secretariat first published the GIMAR in October 2012.

IMPLEMENTATION

Achieving IAIS standard-setting objectives depends upon developing high-quality supervisory material and supporting its implementation. The Coordinated Implementation Framework, adopted in 2013, continues to provide the operational framework for IAIS delivery of its implementation activities. It supports the efficient design, delivery and prioritisation of implementation activity by requiring the IAIS to focus on implementation activities that build upon its unique perspective as a global standard-setting body, engage with regions and regional associations to understand and address challenges from the bottom up, leverage the capacity and commitment of partners to address implementation needs and embed the implementation perspective in IAIS standard-setting work.

IAIS activities in support of implementation can be grouped into the followiing four categories:

- Assessment
- Capacity building
- Supervisory practices
- Supervisory cooperation and exchange

Assessment is the strategic core of the IAIS implementation programme. Assessments provide Members with an external view of observance of IAIS supervisory material and informs the IAIS in understanding supervisory development needs for individual authorities, for regional groupings of supervisors and globally. Assessments also inform the on-going standard-setting activities of the IAIS.

Capacity building focuses on developing the capabilities of supervisors, from the staff, systems and processes perspectives, to carry out supervisory duties and gain a better understanding of the intentions and rationales underlying the ICPs. The IAIS develops training material and supports training seminars and conferences, working closely with international organisations, training institutes, technical assistance providers, regional groups and supervisors.

While capacity building focuses on developing the core competencies of insurance supervisors and enhancing supervisory knowledge and understanding, supervisory practices focus on the application of that knowledge in discharging supervisory responsibilities.

Cooperation and exchange between Members (eg supervisory colleges) and other parties (eg other standard-setting bodies) are necessary preconditions for effective implementation and the development of supervisory practices. In this technological age, this reflects the growing reality that insurers supervised in one jurisdiction—perhaps where their head office resides—may also operate in other jurisdictions. The IAIS Multilateral Memorandum of Understanding (MMoU)—a global framework for cooperation and information exchange between insurance supervisors—is a key tool for supporting cooperation and exchange in this context. Supervisors participating in the MMoU are in a better position to promote the financial stability of cross-border insurance operations for the benefit of consumers.

GLOBAL COORDINATION AND COOPERATION

The IAIS promotes global coordination and cooperation in accomplishing its mission. For example, the IAIS facilitates information exchange among supervisors through its MMoU. It also promotes global coordination and cooperation through its work with other international financial policymakers and supervisory associations. Of particular note, the IAIS is a member of the Financial Stability Board and the International Financial Reporting Standards (IFRS) Advisory Council of the International Accounting Standards Board (IASB) and is a founding partner in the Access to Insurance Initiative (A2ii).

The important role the IAIS plays in furthering global cooperation and coordination is also evident from the many organisations it participates in as a Member, Observer or partner.[2] The Group of 20, international standard-setting bodies, global and regional organisations, routinely call upon the IAIS for its expertise and guidance in insurance-related matters. The IAIS works collectively with peer organisations to support its work, eg, the A2ii on implementation. However, it is important to note that these relationships do not replace IAIS resources but amplify them.

In addition, the IAIS holds two major annual global events – the Global Seminar and the Annual Conference. These encourage multilateral dialogue on IAIS work streams and examine issues and trends affecting insurance supervisors, insurance markets, insurance consumers and the insurance industry. The Global Seminar includes an engaging Executive Committee Dialogue with stakeholders. In 2016, the Central Bank of Hungary hosted the 9th Annual IAIS Global Seminar in Budapest. In conjunction with the Annual Conference, the IAIS also convenes a General Meeting of Members ("Annual General Meeting") to conduct official business. The Central Bank of Paraguay hosted the 23rd IAIS Annual Conference in Asuncion in November 2016.

EVALUATING THE IAIS IMPACT

Evaluating the impact of IAIS work is critical to its organisational effectiveness. The principles, standards and guidance it develops and adopts are rooted in practical experience The IAIS assesses its impact in many ways including, but not limited to, the following:

- Seeking and receiving stakeholder feedback on IAIS initiatives through the Executive Commitee Dialogue, Annual Conference and Global Seminar panels, subject matter stakeholder meetings, targeted input at committee and subcommittee meetings and public background sessions.
- Conducting SAPRs and examining the level of Member ICP observance.
- Monitoring ICP assessments conducted by the International Monetary Fund and World Bank.
- Surveying IAIS Members and stakeholders.
- Requesting and responding to Member and stakeholder comments received during public consultations.
- Field testing work products.

[2] These include the Arab Forum of Insurance Regulatory Commissions, Asian Development Bank, ASEAN Insurance Training and Research Institute, Asian Forum of Insurance Regulators, Association of Latin American Insurance Supervisors, CESEE Insurance Supervision Initiative, Caribbean Association of Insurance Regulators, Consultative Group to Assist the Poor, Committee of Insurance Supervisors and Non-Banking Authorities, East African Insurance Supervisors Association, Financial Action Task Force, Financial Stability Institute, Global Partnership for Financial Inclusion, Group of International Insurance Centre Supervisors, International Actuarial Association, International Monetary Fund, International Organisation of Pension Supervisors, Islamic Financial Services Board, Microinsurance Network, Organisation for Economic Cooperation and Development, Toronto Centre and World Bank.

REPORTS

Victoria Saporta
Chair, Executive Committee

REPORT OF THE EXECUTIVE COMMITTEE

The IAIS continues on an upward trajectory. Working cooperatively and collectively through our membership, the IAIS has once again delivered on an ambitious agenda – an agenda framed by a bold mission statement, forward-looking strategic plan and detailed project roadmap.

The IAIS is a diverse and inclusive organisation and our agenda reflects this. While we continued to direct considerable time and resources to the ICS and G-SII initiatives in 2016, the membership also supported Member implementation of core principles and robust capacity builing opportunities for supervisors in emerging markets and developing economies.

All of this has occurred in an environment marked by greater transparency and stakeholder engagement. In 2016, the IAIS has provided nearly two dozen different stakeholder engagement opportunities designed to enlist robust public feedback into the product development process. This not only leads to better products but builds trust and instills public confidence in the work we do.

As the Executive Committee Chair, I am committed to ensuring that the work of the IAIS remains relevant to all of our Members. I would encourage Members to remain actively engaged in the year ahead.

Our strength as an orgaisation is in our shared mission and the will to cooperate and collaborate in promoting a programme benefitting all of our Members.

Achievements and Activities

Key Workstreams

In 2016 the IAIS made substantial progress on a number of key initiatives.

ComFrame/ICPs. The IAIS began designing ComFrame in 2010. Field-testing started in 2014 and will continue through 2019, when it is scheduled for formal adoption. In 2016, the Executive Committee approved the FSTC recommendation to integrate ComFrame-related material into the ICP framework. It also agreed to release the package of ICPs and ComFrame-related material for public consultation in March 2017. The IAIS will release these in an integrated and coordinated manner.

ICS. The IAIS continues to progress the work on the ICS in line with the current timetable for completion. In May 2016, the IAIS released the 2016 Quantitative Field Testing package developed by the CSFWG. This was followed in July 2016 by the launch of the Risk-based Global Insurance Capital Standard (ICS) Version 1.0 Public Consultation Document (2016 ICS Public Consultation Document). Comments received through public consultations and stakeholder meetings, along with extensive field testing, informed IAIS work on ICS Version 1.0.

Systemic Risk. The Executive Committee approved the publication of an updated G-SII assessment methodology: Global Systemically Important Insurers: Updated Assessment Methodology (June 2016),and finalised its annual G-SII recommendation to the Financial Stability Board based on that methodology. The Committee also received a high-level report on an activities-based approach to systemic risk assessment in 2016.

Emerging Markets. The Executive Committee discussed measures the IAIS could pursue to address the needs of Members from emerging markets and developing economies and agreed to continue discussions into 2017. In the meantime, the Committee will examine several reinsurance-related activities.

FinTech. The Executive Committee received an interim report from the FinTech Task Force on its stock-take, including proposals for potential IAIS work in this area.

Supporting material. The Executive Committee adopted the Application Paper on Approaches to Supervising the Conduct of Intermediaries. The paper provides IAIS Members with ideas to consider when developing or revising a regime for the supervision of intermediaries. It also adopted the Issues Paper on Cyber Risk to the Insurance Sector. The paper built upon a 2015 survey of IAIS Member approaches to cyber risk and provides background on current practices, identifies examples, and explores related regulatory and supervisory issues and challenges.

Events And Recognitions

In June and November, the IAIS Global Seminar and Annual Conference drew a combined attendance of well over 600 individuals. Both events were extremely well-received by Members and stakeholders and featured engaging discussions on a full slate of global insurance topics.

In recognition of their dedicated service to the IAIS, three former Member representatives were honoured as 2016 Distinguished Fellows by the Executive Committee.

Stakeholder Engagement

In March 2016, the Executive Committee approved the recommendation of the Stakeholder Engagement Task Force to open the annual conference to stakeholders and maintain the Global Seminar as a two-day event. It also approved the following theme for the 2017 Annual Conference: "Insurance Supervision: Looking Beyond…"

As part of its commitment to public engagement and transparency on key IAIS initiatives, the Executive Committee held a lively 90-minute dialogue with consumer, industry and peer organisation representatives at the Global Seminar on a full spectrum of global insurance issues.

In November 2016, the Executive Committee approved the release of a draft Stakeholder Engagement Plan developed by the Stakeholder Engagement Task Force for the purpose of receiving stakeholder feedback. Executive Committee consideration of the final plan was expected in early 2017.

In December, the IAIS completed several new G-SII disclosure documents, including the 2016 Public Report released as required in its updated G-SII assessment methodology. These disclosures add an extra level of transparency to the annual G-SII identification process for both participating insurers and the public.

Thanks to the good work of the membership in 2016, the IAIS is well positioned as we move forward.

The Chair of the Executive Committee is Victoria Saporta (UK, PRA). The Vice Chairs are Julie McPeak [(USA, Tennessee) who replaced Kevin McCarty (USA, Florida) during the reporting period] and Hiroshi Ota [(Japan, FSA) who replaced Takashi Hamano (Japan, FSA) during the reporting period].

REPORTS OF EXECUTIVE COMMITTEE SUBCOMMITTEES

FinTech Task Force

In June 2016, the Executive Committee created the FinTech Task Force for the purpose of:

- Conducting a stocktake of FinTech developments in the insurance industry and, where relevant, the broader financial sector directly related to the IAIS Mission.
- Considering the possible implications of these FinTech developments on the work of the IAIS.
- Preparing a comprehensive report with findings and recommendations for a strategic approach to FinTech developments and completing possible follow-up work for Executive Committee consideration at its November 2016 meetings.

In November 2016, the Task Force presented its interim report to the Executive Committee. The interim report included a description of innovation drivers, a summary of current technological innovations in insurance and impacts on the insurance business, along with a sketch of the InsurTech landscape. The Executive Committee extended the Task Force mandate to allow the Task Force to evaluate the potential impact of these innovations in three distinct scenarios:

- Scenario 1: Incumbents successfully maintain the customer relationship.
- Scenario 2: Insurance value chain becomes fragmented; Incumbents no longer in control.
- Scenario 3: Big technology firms squeezing out traditional insurers.

The Task Force was expected to present its final report to the Executive Committee in February 2017.

The Chair of the FinTech Task Force was Matthew Hayduk (USA, FRB).

G-SII Methodology Task Force

In June 2016, after a lengthy process, including a public consultation and numerous stakeholder interactions, the IAIS finalised its revisions to the 2013 G-SII assessment methodology and published an updated G-SII assesssment methodology developed by the G-SII Methodology Task Force.

The updated G-SII assessment methodology introduced a new five-phase approach. This process includes fact-based qualitative and quantitative elements.

- Phases I and II involve the quantitative components of the updated G-SII assessment methodology, including a data collection phase (Phase I) and determination of a quantitative threshold (Phase II).
- Phase III complements the first two phases through the collection and analysis of additional quantitative or qualitative information not captured in Phase II indicators.
- Phase IV enables prospective G-SIIs to receive information regarding their status through Phases I-III and present additional information relating to any aspect of the updated G-SII assessment methodology.
- Phase V combines Phases I through IV to produce an overall assessment concluding with the IAIS recommendation to the Financial Stability Board.

The IAIS modified certain indicators used in the initial 2013 G-SII assessment methodology to address issues related to indicator responsiveness, connection with systemic risk and data quality, including reliability (across both insurers and jurisdictions). Changes in the updated assessment methodology include, but are not limited to, revisions to appropriately address all types of insurance and reinsurance (including speciality lines such as financial guaranty), the role and structure of supervisory judgment, the threshold for G-SII identification, the entry and exit of an insurer from the G-SII list, skewness, multiple counting of the same data point, and the data quality and responsiveness of the indicators. The IAIS also developed a supplemental reinsurance assessment to assess better the third-party reinsurance activities of insurers. The IAIS added disclosure commitments, significantly increasing the transparency of the updated assessment methodology for both the public and participating firms.

The updated G-SII assessment methodology also adds an extra level of transparency to the annual G-SII identification process for both participating insurers and the public.

As part of its planned three-year review cycle, the IAIS will complete the next review of the G-SII assessment methodology in 2019.

The Chair of the G-SII Methodology Task Force was Michael McRaith (USA, Treasury/FIO). The Vice Chair was Alberto Corinti (Italy, IVASS).

Non-Traditional, Non-Insurance Task Force

In late 2015, the Executive Committee created the Non-Traditional, Non-Insurance Task Force to review what was then referred to as "non-traditional, non-insurance activities", or NTNI—a label later abandoned by the IAIS in favour of a more granular and nuanced assessment of product features.

In June 2016, together with the release of the updated G-SII assessment methodology, the IAIS published a paper entitled "Systemic Risk from Insurance Product Features". This paper examines the potential systemic risk from insurance product features. It provides a framework for explaining how product characteristics drive the systemic relevance. It also describes the IAIS rationale for discontinuing the use of the Non-traditional, Non insurance product label.

Following publication of this paper, the Task Force mandate terminated.

The Chair of the Non-Traditional, Non-Insurance Task Force was Alberto Corinti (Italy, IVASS).

Stakeholder Engagement Task Force

In January 2016, the IAIS Executive Committee established a Stakeholder Engagement Task Force to develop a plan for expanding stakeholder outreach.

Prior to developing this stakeholder engagement plan, the Executive Committee asked the Task Force to review IAIS policies concerning stakeholder attendance at the annual conference and the length of the Global Seminar. In March 2016, the Executive Committee approved the Task Force recommendation to open the annual conference to stakeholders and maintain the Global Seminar as a two-day event.

The Task Force then turned its attention to identifying opportunities to enhance IAIS engagement with stakeholders. The Task Force memorialized additional guidance and new commitments in a robust draft Stakeholder Engagement Plan. In November 2016, the Executive Committee approved the Task Force's draft plan for release for the purpose of inviting stakeholder feedback. The Request for Feedback was posted in late November. Stakeholder submissions were due in January 2017.

The draft plan focused particular attention on engagement specific to consumers and the academic community and professional organisations. It recommended new commitments relative to these groups, along with commitments of general applicability to all stakeholders.

The Executive Committee was expected to take up the final plan for adoption in February 2017, and implement it throughout 2017.

The Chairs of the Stakeholder Engagement Task Force over the course of the reporting period were Julie McPeak (USA, Tennessee), Takashi Hamano (Japan, FSA) and Kevin McCarty (USA, Florida).

STAKEHOLDER ENGAGEMENT, 2016

- **Continuing to build upon 2015 commitments**
- **Adopting new commitments**
- **Creating a Stakeholder Engagement Task Force**
- **Opening up the Annual Conference to stakeholders**
- **Expanding engagement opportunities at the Global Seminar**
- **Developing a draft Stakeholder Engagement Plan**

Figure 4

"IAIS engagement is a long term investment".

Michael Kehr, Senior Advisor – International Policy, Federal Financial Supervisory Authority (BaFin); Chair, IAIS Signatories Working Group

Supervisory Forum

The IAIS established the Supervisory Forum in 2011 to provide an opportunity for senior insurance supervisors to come together to discuss supervisory issues and approaches, particularly as they relate to international insurance groups. In addition to sharing best practices and discussing the practical implementation of IAIS standards, the Supervisory Forum is mandated to produce reports of interest to the wider IAIS community.

In 2016, the Supervisory Forum discussed a wide range of topics, including the approach to supervising groups, holding company supervision, FinTech developments, cyber risk and the handling of troubled insurers. It was supported by presentations and discussions from external invitees. These have included other regional supervisors and some large insurance groups. Going forward, the Supervisory Forum will continue to encourage wider engagement with regional supervisors and incorporate more opportunities for dialogue with industry.

Elisa Liebers
Acting Chair, Financial Stability and Technical Committee

REPORT OF THE FINANCIAL STABILITY AND TECHNICAL COMMITTEE

Achievements and Activities

The FSTC had an extremely long agenda in 2016. Major highlights included the decisions to recommend integration of ComFrame-related material into the ICP structure, release the second ICS consultation document, approve an updated G-SII assessment methodology followed by application of that methrodology, and adopt several papers.

First, ComFrame. Working through its various subcommittees, the FSTC continued to develop ComFrame, including the ICS, as an integrated, comprehensive framework. ComFrame and the ICPs are inextricably linked, with ComFrame designed to build and expand upon the high level ICP requirements.

In recognition of this relationship, in June 2016, the FSTC approved a plan to restructure ComFrame and integrate it directly into the ICP framework. In October 2016, the Executive Committee subsequently approved this recommendation. As a result, ComFrame's new structure better reflects this linked relationship. This also helps ensure that ComFrame and the ICPs are developed thematically in a parallel and complementary manner that avoids unintended duplication.

As a follow-up to this decision, the FSTC recommended that the selected revised ICPs and ComFrame-related material be released for public consultation as a package as shown in Table 1 in March 2017. The Executive Committtee approved this approach.

Much of the revised ICP material has been rearranged to achieve a more logical flow and revised to improve clarity and consistency of language and terminology. Unnecessary or redundant material has also been deleted. Concerning ComFrame-related material, the integration exercise produced a number of stylistic and structural changes.

Second, in May 2016, the FSTC approved the 2016 Quantitative Field Testing package developed by the CSFWG and, in June 2016, the 2016 ICS Public Consultation Document. The IAIS released the approved field testing package to the volunteers in May 2016 and published the 2016 ICS Public Consultation Document in July. Once the consultation closed for submissions in October 2016, stakeholder comments were reviewed and the resolution process began.

Third, following IAIS publication of the updated G-SII assessment methodology, the IAIS applied it in making recommendations to the Financial Stability Board as part of the G-SII identification process. In addition to applying the updated G-SII assessment methodology, the FSTC implemented several new disclosure commitments. Click here to view the G-SII Disclosure – Public Report issued pursuant to paragraph 83 of the Updated Assessment Methodology.

Fourth, the FSTC also approved the following supporting material for Executive Committee adoption:

- Issues Paper on Cyber Risk to the Insurance Sector (August 2016).
- Application Paper on Approaches to Supervising the Conduct of Intermediaries (November 2016).

In March, the FSTC merged the Field Testing Working Group and the Capital Development Working Group to become the CSFWG. The FSTC then approved a new mandate for the CSFWG.

The Acting Chair of the Financial Stability and Technical Committee is Elise Liebers (USA, NAIC). Elise also served as Vice Chair during the reporting period before becoming Acting Chair. Michael McRaith (USA, Treasury/FIO) served as Chair during the reporting period. The Vice Chair is Urs Halbeisen (Switzerland, FINMA).

THEMES FOR MARCH 2017 CONSULTATION PACKAGE

Introduction	• The Introduction to ICPs and ComFrame and the ICP Assessment Methodology.
Governance	• ComFrame material integrated with ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance) and ICP 8 (Risk Management and Internal Controls).
The Supervisor and Supervisory Measures	• Revised ICP 9 (Supervisory Review and Reporting), plus ComFrame integrated material. • Revised ICP 10 (Preventive Measures, Corrective Measures and Sanctions), plus ComFrame integrated material [ICPs 10 and 11 (Enforcement) were combined into a single ICP].
Supervisory Cooperation and Coordination	• Revised ICP 3 (Information Sharing and Confidentiality Requirements). • Revised ICP 25 (Supervisory Cooperation and Coordination), plus ComFrame-integrated material. • ICP 26 (Cross-border Cooperation and Coordination on Crisis Management) was restructured and, consequently, part of it was moved to ICP 25 and the rest to ICP 12.
Resolution	• Revised ICP 12 (Exit from the Market and Resolution) and ComFrame integrated material.

Table 1

"Membership in the IAIS increases understanding of IAIS standards. Since these are the benchmarks for IMF and World Bank assessments, a positive assessment of supervisory activities has a direct impact on the assessment of the whole economy".
Damian Jaworski, Director of Analyses and International Cooperation Department in the Polish Financial Supervision Authority; member, IAIS Executive Committee

REPORTS OF THE FINANCIAL STABILITY AND TECHNICAL COMMITTEE SUBCOMMITTEES

Accounting And Auditing Working Group

The Accounting and Auditing Working Group is responsible for IAIS activities relating to accounting and auditing matters for insurers and insurance supervision, including:

- IAIS external relationships with accounting and auditing bodies.
- Monitoring relevant international accounting and auditing developments.
- Submitting comment letters and other papers to accounting and auditing bodies.
- Developing, updating or providing input into the development or updating of applicable IAIS high-level principles-based supervisory and supporting material.

During 2016, the Working Group submitted five comment letters on behalf of the IAIS:

- One to the IASB, commenting on its exposure draft to amend IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (February 2016).
- Two to the International Auditing and Assurance Standards Board (IAASB), commenting on Enhancing Audit Quality in the Public Interest (May 2016) and Strategic Objectives & Work Plan for 2017-18 (October 2016).
- One to the International Ethics Standards Board for Accountants (IESBA) commenting on their exposure draft Proposed Revisions Pertaining to Safeguards in the Code – Phase 1 (March 2016).

These comment letters can be accessed by clicking here.

The Working Group also established an ongoing dialogue with IASB staff to monitor developments with the IFRS 17 insurance contracts project. It also engaged in regular dialogue with the IAASB on their work to revise the International Standard on Auditing (ISA) 540 Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures, and provided a representative to participate on the IAASB's ISA 540 Task Force.

The Working Group developed proposals to enhance IAIS standards and supporting material with respect to external audit related matters, including contributions to the draft revisions of ICPs 7 (Corporate Governance), 9 (Supervisory Review and Reporting) and 10 (Preventative Measures, Corrective Measures and Sanctions). The exact nature and scale of the future work of the Working Group in this area had not yet been determined as of year-end 2016.

The Working Group held several stakeholder sessions in 2016 to receive public input:

- During its February 2016 meeting, the Working Group included a call-in session to discuss its work plans with interested stakeholders.
- For its meeting on 10-11 May 2016, it invited the participation of interested stakeholders via teleconference for an update on its work plans and stakeholder feedback on the IFRS insurance contracts project (IFRS 17); and Working Group discussion of this project with IAASB staff. The call-in session featured three presentations on the IASB insurance contracts project.
- For its 7 September 2016 meeting, interested stakeholders were invited to participate via teleconference in two sessions for the purpose of: one, gathering early stakeholder feedback on potential significant issues and considerations around the consistent application of the soon-to-be released IFRS insurance contacts standard, and what the Working Group could or should be doing to support such implementation objectives during the time leading up to the standard's effective implementation date; and two, discussing the work activities of the International Actuarial Association (IAA) with IAA representatives.

The Chair of the Auditing and Accounting Working Group is Markus Grund (Germany, BaFin). The Vice Chair is Jay Muska (USA, FRB).

Capital, Solvency And Field Testing Working Group

On 9 October 2013, the IAIS announced its plan to develop a risk-based global ICS in response to a request by the Financial Stability Board tto produce a work plan to create a comprehensive group-wide supervisory and regulatory framework for Internationally Active Insurance Groups (IAIGs).

The CSFWG is responsible for the development and field testing of capital standards. In 2016, the CSFWG's primary focus was on the development of the ICS, following the completion of the Basic Capital Requirement and Higher Loss Absorbency for G-SIIs in the previous two years. The CSFWG is also responsible for the development of supervisory material in ICPs, ComFrame and G-SII policy measures related to capital and solvency. In 2016, the CSFWG met nine times for a total of 43 days.

Since announcing plans to develop the ICS in October 2013, the IAIS has engaged in a multi-year quantitative field testing process with Volunteer Insurance Groups (Volunteer Groups), including potential IAIGs and current G-SIIs. The CSFWG has developed these field testing exercises, including the technical specifications, template and other field testing materials.

In 2016, the IAIS conducted its second ICS field testing exercise, with more than 40 volunteer groups involved, submitting both quantitative results and qualitative feedback in the form of a questionnaire. Field testing results are used to determine where changes in ICS design and calibration are needed. They are also used as the basis for the Basic Capital Requirement and Higher Loss Absorbency confidential reporting by G-SIIs to group-wide supervisors.

CSFWG members formed the Field Testing Analysis Team to analyse the field testing results. Members sign strict confidentiality agreements in order to view the data received from Volunteer Groups. In 2016, the Field Testing Analysis Team held ten meetings—two to complete the review of 2015 field testing results and eight to review 2016 field testing data. There was significant interactions between the CSFWG and Volunteer Groups, including five full-day volunteer workshops.

In July 2016, the IAIS released the 2016 ICS Public Consultation Document developed by the CSFWG and approved by the FSTC and Executive Committee. This was the second ICS consultation document issued by the IAIS. In the 2016 ICS public consultation, the IAIS sought feedback on the three components of the ICS: valuation, capital requirements and capital resources. The IAIS received 76 submissions from 15 insurance trade associations, 32 insurance companies (of which 25 were from Volunteer IAIGs), 9 actuarial associations, including the IAA, 15 IAIS Members and 5 others (ie academia, professional services, Chamber of Commerce). All non-confidential submissions were made available on the public IAIS website.

In the development of the ICS, the IAIS has demonstrated a significant commitment to stakeholder interaction. The 2016 Public Consultation Document was the product of broad interaction, including a number of public stakeholder meetings and workshops with Volunteer Groups. In particular, three full-day stakeholder meetings were held in Singapore, Basel and New York in the first half of 2016. At the December meeting of the NAIC International Committee, the CSFWG Chair and Vice Chair and the Secretariat updated committee members and interested stakeholders on ICS development and held an open-ended general question and answer session. Prior to this meeting, the CSFWG Chair and Vice Chair and the Secretariat spoke at a U.S. Federal Insurance Office stakeholder meeting, the World Bank and the International Monetary Fund. In addition, through the CSFWG, the IAIS also participated in two ICS academic forums—one held at Nanyang Technical University in Singapore and the other at St John's University in New York City. These academic forums were co-branded with the IAIS, while organised by the universities.

In December 2016, the CSFWG prepared papers for the FSTC on ICS valuation and capital resources issues. The papers included summarised feedback from the recent ICS consultation process and field testing exercise. The CSFWG planned to present proposals and options to the FSTC and the FSTC to the Executive Committee between January and June 2017, as ICS Version 1.0 for extended field testing neared completion.

The CSFWG used the analysis of the data collected through the field testing exercise and the feedback received from the consultation document to inform the development of ICS Version 1.0 for extended field testing. Although it would be released in July 2017, significant work towards the milestone of ICS Version 1.0 for extended field testing occurred during 2016.

See Figure 5 for a timeline of key ICS activities in 2016.

KEY ICS ACTIVITIES, 2016

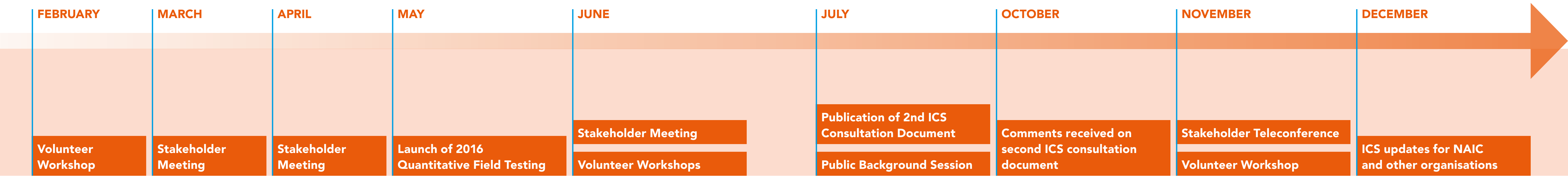


Figure 5

In addition to its work on the ICS, the CSFWG also began a review of the following ICPs and related ComFrame material:

- ICP 15 (Investment)
- ICP 16 (Enterprise Risk Management for Solvency Purposes)

In March 2016, the FSTC merged the Field Testing Working Group and the Capital Development Working Group to form the CSFWG.

The Chair of the Capital, Solvency and Field Testing Working Group is Paolo Cadoni (UK, PRA). There is no Vice Chair. John Maroney (former IAIS Head of Capital and Solvency) served as Vice Chair during the reporting period.

Financial Crime Task Force

Cyber risk remains a significant growing concern across all sectors of the global economy. Cybersecurity incidents can impair the ability of insurers to conduct business, compromise the protection of commercial and personal data, and undermine confidence in the insurance sector.

The Financial Crime Task Force prepared an overview of the current state of the cyber insurance market and, in February 2016, presented it to the FSTC. In addition, in August 2016, the IAIS published the Issues Paper on Cyber Risk to the Insurance Sector drafted by the Task Force. The purpose of this Issues Paper is to raise awareness among insurers and supervisors regarding the challenges presented by cyber risk, including current and contemplated supervisory approaches for addressing these risks. It built upon a 2015 survey of IAIS Member approaches to cyber risk and provides background on current practices, identifies examples, and explores related regulatory and supervisory issues and challenges.

This Issues Paper delivers a number of important messages:

- Cybersecurity incidents may result in severe harm to policyholders; significant legal, regulatory, and operational costs, including reputational damage, to insurers; and a loss of public trust to the insurance sector as a whole.
- The growing frequency and severity of cybersecurity incidents, and interconnectedness, mean cyber resilience must be a concern for all insurers, regardless of size, specialisation, domicile, or geographic reach.
- The nature of cyber risk requires increased scrutiny by supervisors and increased cooperation between and among the private and public sectors.

In developing this Issues Paper, the Task Force invited presentations from experts involved in cyber security. This followed a public consultation on the draft paper. Following the consultation, it held a public session to discuss the results.

After completing this Issues Paper, the Task Force began discussing potential follow up work in the area of cyber risk. It plans to develop one or more Application Paper(s) on cyber security during 2017-18, as recommended in the Issues Paper, to further explore issues related to cyber risk and, in particular, to provide insurance supervisors with further guidance.

In addition to cyber risk, the Task Force mandate includes:

- Understanding developments in the cyber insurance market.
- Revisions to ICPs 21 (Combating fraud in insurance) and 22 (Anti-money laundering and combating the financing of terrorism or AML/CFT).
- Monitoring developments in anti-money laundering and combating the financing of terrorism, including the work of the Financial Action Task Force.

The Task Force participates in various international work streams on cyber risk and cyber security, including the CPMI/IOSCO[4] Working Group on Cyber Resilience. It also has Observer status with the Financial Action Task Force.[5]

The Chair of the Financial Crime Task Force is Philip J. Goodman (USA, Treasury/FIO). There is no Vice Chair.

[4] Committee on Payments and Market Infrastructures / International Organisation of Securities Commissions

[5] According to the Financial Action Task Force, it is "an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system", http://www.fatf-gafi.org/about/.

G-SII Analysts Working Group

The G-SII Analysts Working Group's primary responsibility is to implement the upated G-SII assessment methodology under the guidance of the FSTC and Executive Committee.

In applying the updated G-SII assessment methodology, the Working Group conducted data analysis and produced interim reports for FSTC and Executive Committee review. In addition, the Working Group prepared the required disclosure reports for the public and participating insurers.

In implementing the updated G-SII assessment methodology, the Working Group built an operational approach to address the following issues: responsiveness of indicators, skewness/normalisation, multiple counting, threshold for G-SII determination and disclosures.

Pursuant to paragraph 83 of the updated G-SII assessment methodology, the Working Group also developed a new public disclosure report for FSTC approval and subsequent publication in December 2016.

The Chair of the G-SII Analysts Working Group is Sebastian von Dahlen (Germany, BaFin). The Vice Chair is Anne-Gaëlle Zimmermann (France, ACPR). Frederick Schneider (UK, PRA) was also a Vice Chair during the reporting period.

Governance Working Group

The Governance Working Group is charged with providing a framework for developing and advancing high level corporate governance principles, standards and guidance for the supervision of insurers.

Over the course of the reporting period, the Working Group worked on the Application Paper on Group Corporate Governance scheduled for release in March 2017, as a follow up to the Issues Paper on Approaches to Group Corporate Governance. The purpose of this Application Paper is to create a common understanding among supervisors on assessing or evaluating the governance frameworks of insurance groups. In late February 2016, the Working Group surveyed Members to inform it in support of the Application Paper.

The Working Group also focused on developing ComFrame material related to governance issues, integrated with ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance), and ICP 8 (Risk Management and Internal Controls). Subject to Executive Committee approval, the IAIS was expected to release this draft material for public consultation in March 2017. In addition to changes in style and structure resulting from the integration exercise, the revisions to ComFrame material:

- Take into account the overall outcome of the 2014-15 qualitative field testing exercise.
- Take into account the revised ICPs 5, 7 and 8 (November 2015).
- Improve clarity and consistency of language and terminology.
- Reflect other international standards, such as principles of the Joint Forum regarding risk management and internal controls.

In carrying out its work over the course of 2016, the Working Group invited presentations from several public and private sector representatives.

The Chair of the Governance Working Group is Annick Teubner (DNB, currently seconded at the ECB). The Vice Chair is Michael J. Newman (USA, Treasury/FIO).

Insurance Groups Working Group

The Insurance Groups Working Group provides a framework for developing and advancing efficient and effective group-wide supervision.

Over the course of the reporting period, the Working Group focused on two primary activities:

- Revising ICP 3 (Information Exchange and Confidentiality Requirements), and ICP 25 (Supervisory Cooperation and Coordination).
- Developing ComFrame standards for the supervisory review process applicable to IAIGs.

ICPs 3 and 25 were revised to improve the consistency of language and terminology and remove overlaps. In addition, ICP 26 (Cross-border Cooperation and Coordination) was restructured and, consequently, part of it was moved to ICP 25 and the rest to ICP 12 (Exit from the Market and Resolution). Subject to Executive Committee approval, the IAIS was expected to release these revised ICPs for public consultation in March 2017.

The Working Group integrated those parts of the 2014 draft ComFrame dealing with the supervisory review process into ICP 9 (Supervisory Review and Reporting), ICP 10 (Preventive Measures, Coorective Measures and Sanction), and ICP 25. Subject to Executive Committee approval, thie IAIS was expected to release this ComFrame material for public consultation in March 2017.

In addition to making changes in style and structure as a result of the integration exercise, the Working Group revised the text to improve clarity and consistency of language and terminology, and implement the June 2014 Executive Committee decision that supervisors should be required to have direct powers over a financial holding company of an internationally active insurance group. The revised draft ComFrame material also elaborates on certain aspects of the supervisory process, such as expectations for the group-wide risk assessment of an IAIG.

The Chair of the Insurance Groups Working Group is Tom Crossland (UK, PRA). The Vice Chair is Christine Neighbors (USA, Nebraska).

Macroprudential Policy And Surveillance Working Group

The Macroprudential Policy and Surveillance Working Group monitors the financial and macroeconomic market, focusing on the potential impact on the insurance sector. In doing so, it uses two primary tools: the Key Insurance Risks and Trends (KIRT) survey and the annual Global Insurance Market Report (GIMAR).

The KIRT surveys IAIS Members. In 2016, the number of jurisdictions responding nearly doubled – from 20 in 2015 to 38 in 2016. In addition, respondents made more detailed submissions. This combination produced a much larger volume of information for the Working Group to make a more targeted assessment of diverse insurance markets. The Working Group presented the KIRT findings to the FSTC in June 2016.

The IAIS promotes awareness of developments, risks and vulnerabilities in the insurance industry through the publication of the GIMAR. During the reporting period, the IAIS published the 2015 GIMAR and completed the draft 2016 GIMAR (scheduled for publication in January 2017). In the published 2015 GIMAR, the IAIS found the global (re)insurance sector "remain(ed) well functioning and stable in the midst of an often challenging economic and financial environment as evidenced by the high capital levels held by (re)insurers, the overall stable profitability shown by the sector and an on-going inflow of additional capital". The draft 2016 GIMAR included the IAIS Global Reinsurance Market Survey results and an examination of several special topics such as the relationship between climate change, insurance and regulation; the first experience with Solvency II; and the results of EIOPA's 2016 insurance stress test.

In addition to completing the KIRT and GIMAR, the Working Group also refined its table of risk categories and improved its IAIS-internal Macroprudential Knowledge Portal.

Over the course of 2016, the Working Group invited several guest speakers from the public and private sectors to discuss subjects such as emerging market issues, alternative risk transfer, underinsurance and the potential impact of Brexit on the insurance sector, internal risk modelling, sovereign disaster insurance solutions, operational risk and A.M. Best's new capital model.

The Chair of the Macroprudential Policy and Surveillance Working Group is Edward Toy (USA, NAIC). Christian Schmidt (formerly with Liechtenstein, FMA) served as Vice Chair during the reporting period.

"The IAIS is committed to promoting awareness of developments, risks and vulnerabilities in the insurance industry. GIMAR is part of the macroprudential policy and surveillance framework of the IAIS and our efforts to provide our Members and stakeholders with insight into the global insurance marketplace".

Victoria Saporta, Chair, IAIS Executive Committee

Market Conduct Working Group

The Market Conduct Working Group is charged with:

- Developing and enhancing IAIS high-level principles-based supervisory and supporting material in relation to market conduct supervision.
- Coordinating with other international bodies dealing with market conduct of insurers and intermediaries and financial consumer protection.

During the reporting period, the Working Group completed work on an Application Paper on Supervising the Conduct of Intermediaries. The Application Paper documents approaches IAIS Members might want to consider when developing or revising a regime for the supervision of intermediaries. It supports the implementation of ICP 18 (Intermediaries) and relevant aspects of ICP 19 (Conduct of Business). The IAIS Executive Committee adopted this Application Paper in November 2016.

The Working Group also began work on updates to ICPs 18 and 19 in light of market and supervisory developments, taking into account the results of a self-assessment and peer review of IAIS Members on these ICPs. These revised ICPs were planned for adoption by the IAIS Membership in November 2017.

In December, the Working Group reviewed the results of a Member survey on future priorities for work on consumer protection. Survey results are summarised in Figure 6. The Working Group will take these results into consideration in developing future work plans.

The Chair of the Market Conduct Working Group is Olivier Fliche (France, ACPR). The Vice Chair is Michael Saadat (Australia, ASIC). Leanne Jackson (South Africa, FSB) served as Vice Chair for part of the reporting period.

PRIORITY RANKING BY AREA

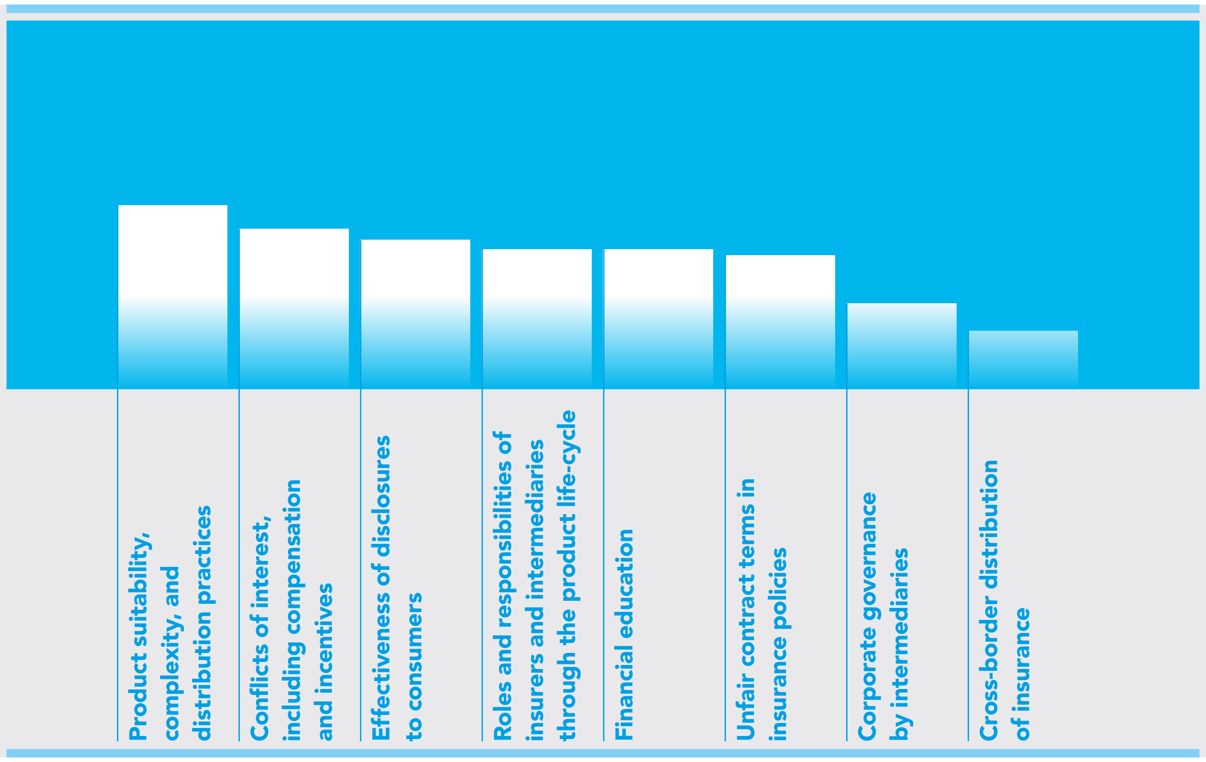


Figure 6

Reinsurance Task Force

As part of its ongoing programme to periodically review the ICPs, the IAIS has turned its attention to updating ICP 13 (Reinsurance and Other Forms of Risk Transfer).

In the lead up to formal drafting, ICP 13 underwent a SAPR. This provided the Reinsurance Task Force with concrete proposals for improvement. Efforts were made to refine the existing text and undertake a general tightening of the language to improve understanding from the previous 2011 version. Focus also centered on aligning ICP 13 more efficiently with other ICPs concerning the supervision of reinsurance strategy and reinsurance programmes of firms. There is an increased focus in the revised ICP on risk management systems and controls in addition to attempts to strengthen supervisory recognition, reflecting the global nature of the reinsurance business.

The Task Force mandate is to make allowances for recent developments; in particular, market developments. To reflect this, the Task Force expanded upon the standards and guidance to allow for development in capital market practices while also taking into consideration micro- and macro-prudential risks arising from reinsurance localisation trends. It provided additional guidance concerning stress on critical parts of the business due to geographical diversification.

Subject to Executive Committee approval, the draft revisions were scheduled to be released for public consultation in mid-2017.

The Chair of the Reinsurance Task Force is Marcelo Ramella (Bermuda Monetary Authority). There is no Vice Chair.

Resolution Working Group

The Resolution Working Group mandate is to address matters relating to recovery and resolution of insurers (both G-SIIs and non-G-SIIs). Specifically, the Working Group is tasked with:

- Developing and maintaining supervisory material on recovery and resolution of insurers (including development of the relevant part of ComFrame and revision of recovery and resolution-related ICPs).
- Dealing with all standard-setting matters regarding resolution initiated by the Financial Stability Board (including addressing consultations by the Board on resolution-related principles, standards, and guidance).
- Representing the IAIS at relevant working parties within the Financial Stability Board, such as the Resolution Steering Group and the Cross-border Crisis Management Group for Insurers.

The Working Group has been working to revise ICPs relating to recovery and resolution [ie ICPs 12 (Exit from the Market and Resolution) and 26 (Cross-border Cooperation and Coordination on Crisis Management)], to provide input regarding recovery-related requirements to ICP 10 (Preventative Measures, Corrective Measures and Sanctions), and to develop requirements on recovery and resolution for IAIGs within ComFrame. In addition, ICP 26 was restructured and, consequently, part of it was moved to ICP 25 (Supervisory Cooperation and Coordination)and the rest to ICP 12. Recent developments relating to recovery and resolution are taken into consideration in these revisions and developments. The consultation document for revised ICP 12, including ComFrame text, was planned for public consultation in March 2017.

Another project that the Working Group has been working on is loss absorbing capacity in resolution of G-SIIs. The Working Group was tasked with evaluating whether loss absorbing capacity, in addition to existing capital and other regulatory requirements, is needed as a G-SII policy measure for resolution, including stabilisation, given the nature of the insurance market and supervision. In July 2016, the IAIS decided not to establish a common minimum standard for loss absorbing capacity in resolution for G-SIIs at this time based on the analysis conducted by the Working Group. Once facts have developed further, including the development of resolution strategies based on the Key Attributes requirements (including stabilisation tools), as well as the identification of critical functions and systemic interconnections for G-SIIs, the IAIS will reassess loss absorbing capacity in resolution.

The Working Group held two stakeholder meetings during 2016 – one on 19 January and a second on 27 September. At the first one, it focused on recovery and resolution. More than 100 people participated. The Working Group has participated in relevant working parties of the Financial Stability Board. It provided input to discussions on critical functions of insurers and those on resolution strategies of insurers.

At the second meeting, the Working Group introduced an outline of stakeholder submissions from the Request for Feedback with respect to ICP 12 and ComFrame M3E3. Participants also discussed the following seven topics: objectives of resolution; triggers for resolution actions; resolution powers; recovery plans for IAIGs; group resolution; application of ICP 12/M3E3 to reinsurers; and role of policyholder protection schemes and other funding mechanisms in resolution.

The Chair of the Resolution Working Group is Urs Halbeisen (Switzerland, FINMA). The Vice Chair is Alex Hart (USA, Treasury/FIO).

Supervisory Material Review Task Force

The Supervisory Material Review Task Force is responsible for:

- Reviewing and drafting amendments to the ICP Introduction and Assessment Methodology.
- Reviewing and proposing amendments to ICPs not under the responsibility of a specific subcommittee: 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 Measures, Corrective Measures and Sanctions); and ICP 11 (Enforcement).
- Commenting on proposed new and amended supervisory material by other subcommittees to ensure consistency in approaches and drafting styles, including proposing resolution of double/multiple jeopardy issues.
- Discussing, providing steering on and/or proposing solutions to overarching issues and issues of general concern in the supervisory material under review, particularly on how proportionality should be reflected.

In 2016, the Task Force worked on revisions to the following ICPs:

- The revision of ICP 9.
- The revision of ICPs 10 and 11. The Task Force decided to merge both ICPs into a new ICP 10.
- The revision of the introduction and assessment methodology to the ICPs and a new introduction for ComFrame.
- The revision of ICPs 1 and 2.

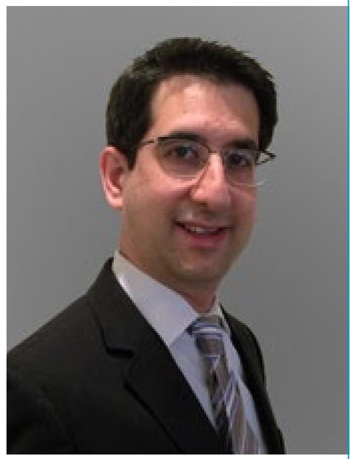
Subject to Executive Committee approval, the revised ICPs were planned for public consultation in March 2017.

The Task Force also reviewed and provided input to the revisions of ICPs and/or ComFrame-related material prepared by other subcommittees.

The Task Force has prepared and keeps current a Drafting Guide for Supervisory Material to facilitate drafting by subcommittees and consistency in format and language.

In carrying out its work, the Task Force liaised with other subcommittees (including subcommittees of the Implementation Committee), as relevant.

The Chair of the Supervisory Material Review Task Force is Ryan Workman (USA, NAIC). There is no Vice Chair.



Ekrem Sarper
Acting Chair, Implementation Committee

REPORT OF THE IMPLEMENTATION COMMITTEE

Implementation activities are a key component of the IAIS feedback loop and critical to achieving effective and globally consistent supervision of insurance. Implementation is where we can gauge the impact of our work. In 2016, guided by the Coordinated Implementation Framework, the IAIS built on its significant accomplishments in implementation.

Members are increasingly approaching the IAIS with questions regarding the implementation of IAIS supervisory material. At the same time, demand from supervisors for implementation support is growing, as evidenced by increasing participation in IAIS assessments, registration in training programmes and expanding demand for IAIS financial support for training seminars. As supervisory material for IAIGs and G-SIIs becomes more broadly relevant for IAIS Members, this demand is expected to increase further.

There is also a growing orientation of standard setting bodies, international financial institutions, and national authorities towards implementation of supervisory material. As the IAIS continues to develop key international standards, the ability of the IAIS to support implementation will be drawn into greater focus in the near- to medium-term.

Achievements and Activities

Assessments

The IAIS conducts SAPRs of supervisory material on a thematic basis. The primary objective of these assessments is to assess ICP observance by IAIS Member jurisdictions and generate a global perspective on observance levels and associated challenges. The IAIS publishes aggregate findings from these assessments. These reports provide a global and regional picture of implementation and constitute a key component of the feedback loop between IAIS standard setting and implementation activities. Implementation Committee working groups consider assessment results in evaluating the need for any ICP revisions. See Figure 7.

Since the inception of the SAPR programme in 2013, the IAIS has conducted over 1000 SAPRs, with over 115 authorities having participated in at least one assessment. On average, approximately 70 authorities participate in a SAPR.

In 2016, the IAIS launched an assessment on the thematic topic of Information Exchange and Supervisory Cooperation, covering ICP 3 (Information Exchange and Confidentiality Requirements) and ICP 25 (Supervisory Cooperation and Coordination). Assessments were already underway in another 92 jurisdictions on solvency-related Issues, which addresses ICP 14 (Valuation), ICP 15 (Investment), ICP 16 (Enterprise Risk Management for Solvency Purposes), ICP 17 (Capital Adequacy) and ICP 20 (Public Disclosure). For a status of SAPRs at year-end 2016, see Table 2.

Both the Financial Stability Board and the International Monetary Fund have recognised the IAIS assessment programme as a robust tool for assessing ICP observance. Our implementation partners have indicated that the assessments provide a critical insight into the state of implementation and are valuable for identifying demand for capacity building and training needs.

KEY ACHIEVEMENTS: IAIS ASSESSMENTS

- **Since 2013, over 115 authorities have participated in at least one SAPR.**
- **An average of 70 authorities participate in a SAPR, representing all IAIS regions and level of economic / insurance market development.**
- **The IAIS conducted over 1000 SAPRs through year-end 2016.**
- **Recognised by Financial Stability Board, International Monetary Fund, World Bank and others as providing a robust assessment tool**

Figure 7

STATUS OF SAPRs, YEAR-END 2016

THEMATIC AREA	ICPs	AUTHORITIES	COMPLETION DATE
Solvency	14 – 17, 20	77	Pending
Market conduct	18 – 19	69	Planned May 2017
Supervisory cooperation	3, 25	70	Planned 2017-18
Reinsurance and macroprudential surveillance	13, 24	77	Planned August 2017

Table 2

KEY ACHIEVEMENTS: CAPACITY BUILDING

- **From 2013 through year-end 2016, 1,700 supervisors had participated in IAIS sponsored capacity building events.**
- **The IAIS sponsored nine training sessions in 2016.**
- **Demand for IAIS financial support has increased by approximately 20% since 2013**
- **Innovative programme for new supervisors (FIRST ONE) – participation growth averaging 30% per year**

Figure 8

The Implementation Committee plans to begin monitoring implementation of the policy measures for G-SIIs. This process will begin in 2017 with self-reporting of progress by G-SII home supervisors, and ramp up as policy measures are implemented over the coming years.

Capacity Building

The IAIS is neither a technical assistance provider nor a training institute. It works closely with partners to develop and deliver training to insurance supervisors. Since 2013, approximately 1700 supervisors had participated in IAIS-sponsored events. The IAIS sponsored nine training sesions in 2016, with 565 insurance supervisors participating. The IAIS offers financial support to IAIS Members interested in holding a regional seminar. Demand for IAIS financial support is increasing as more regions look to organise seminars specific to their needs.

In 2006, the IAIS and World Bank published a core curriculum for insurance supervisors. The IAIS is undertaking a comprehensive review of this material. The Implementation Committee is working through its Core Curriculum Task Force to update the material.

The IAIS partners with other organisations in support of capacity building. These include, but are not limited to, the Financial Stability Institute, the A2ii and regional and international financial institutions.

The Financial Stability Institute supports IAIS implementation activities. The IAIS works closely with the Financial Stability Institute to organise eight seminars per year on various insurance topics, including the online training seminar for professionals new to insurance supervision (FIRST ONE). The FIRST ONE is an innovative web-based programme delivered over a four-month period through live webinars and self-directed FSI Connect modules.

As an IAIS implementation partner, the A2ii has carried out a range of supportive activities in 2016.

Case studies. The IAIS and A2ii are developing Case Studies on Proportionality in Practice. These will provide real life examples on proportionate approaches used by supervisors to implement the ICPs. These case studies will cover documentation and disclosure and distribution.

Consultation calls. The A2ii convened six bi-monthly consultation calls to serve as a virtual exchange platform for insurance supervisors to discuss current access to insurance regulatory and supervisory topics.

Consultative forums. The A2ii, together with other organisations, hosted three consultative forums on financial inclusion.

Regional capacity building plans. Under the leadership of IAIS regional coordinators, the A2ii is developing regional capacity building plans.

The IAIS has partnered with regional and international financial institutions. For example, the IAIS has worked with the Asian Development Bank to develop and execute a technical assistance project for supervisors in Asia on ICP assessment and implementation. Several events were held in 2016:

- Workshop on Thematic Self-Assessment and Peer Review of IAIS Insurance Core Principles and Standards for Central and West Asia: Risk Management, Internal Controls and Governance, Reinsurance, Risk Capital and Risk Based Supervision (ADB Project No. 462014-001) 10-13 October 2016.
- Roundtable on Inclusive insurance - Challenges and Solutions (ADB Project No. 462014-001) on 13-14 October 2016 at Almaty, Kazakhstan.
- Workshop for Pacific Insurance Supervisors at under the TA - 46204-001 Thematic Self-Assessment and Peer Review of International Association of Insurance Supervisors Insurance Core Principles and Standards for Asia and the Pacific (Phase 1), 5-9 December 2016, Sydney.

The IAIS also has a long-standing engagement with the World Bank and International Monetary Fund to support insurance supervisors and improve regulation of insurance globally.

Supervisory Practices

Enhanced financial inclusion is a regulatory objective shared by a large portion of the IAIS Membership. To address Member needs, the IAIS develops guidance papers and works closely with the A2ii to support supervisors in addressing challenges to developing and implementing proportionate frameworks for regulation and supervision.

The Implementation Committee has been working through its Financial Inclusion Working Group to develop several papers. These are currently under development.

Supervisory Cooperation and Exchange
The IAIS promotes supervisory cooperation and information exchange amongst Members through the MMoU. The Signatories Working Group of the MMoU and the Secretariat manage the application and approval process for signatories.

To be a signatory of the MMoU, a jurisdiction needs to be a Member of the IAIS and undergo a rigorous review process by a validation team made of information exchange experts. If approved by the validation team, a jurisdiction can officially become a signatory. This rigorous process assures other signatories that information can be exchanged and it will be protected in line with the MMoU.

Looking Forward
The key challenge for the IAIS is in considering how to build on its accomplishments in the implementation area. In recognition of the dynamic environment and increasing focus on implementation, the Implementation Committee will review the Coordinated Implementation Framework in 2017. This review will look not only at the "what," in terms of the IAIS activities, but also the "how" of delivery with the ultimate objective of advancing the IAIS mission.

Ekrem Sarper (USA, NAIC) serves as Acting Chair of the Implementation Committee and served as Vice Chair during the reporting period. Jonathan Dixon (formerly with South Africa, FSB) served as Chair during the reporting period. Also serving as Vice Chair is Li Tang (China, CIRC) both currently and during the reporting period.

REPORT OF THE IMPLEMENTATION COMMITTEE SUBCOMMITTEES

Core Curriculum Task Force
In February 2016, the Implementation Committee established the Core Curriculum Task Force to manage the review and refresh of the core curriculum for insurance supervisors and regulators. The World Bank and the IAIS developed the core curriculum in 2006. It has not been updated since originally developed.

The purpose of the supervisory core curriculum is to cover concepts, relationships and supervisory practices that underpin the successful implementation of the ICPs in jurisdictions across the globe. They are not intended to provide detailed guidance on the specifics of implementing ICPs or their component Standards, but are intended to provide readers with resources that help them better understand the underlying concepts, terminology and interactions that will support their successful implementation of the ICPs. While all Members benefit, it has particular value for Members from emerging markets and developing economies. It consists of nearly 40 basic-level modules and a large case study providing comprehensive training in the principal areas of insurance supervision. Users can select topics of interest to suit their needs.

The IAIS expects to launch Phase I of this two-phase effort in mid-2018. In Phase 1, the IAIS will conduct a light review, edit text, reformat the material and clarify the relationships with the current ICPs. With the support of IAIS Members and other volunteers (notably from the IAA), work began in 2016.

Phase 2 will consist of an in-depth review of the current modules to identify potential substantive changes and upgrades. Recommendations generated during Phase 1 will inform Phase 2 planning. Resources permitting, additional examples and case studies and some discussion of supervisory practices will be included. Initial work on some Phase 2 modules also began in 2016. Phase 2 is expected to require several years to complete.

The Chair of the Core Curriculum Task Force is Li Tang (China, CIRC). There is no Vice Chair.

Financial Inclusion Working Group

The Financial Inclusion Working Group is responsible for:

- Developing supervisory, supporting and other material related to financial inclusion and other forms of insurance as necessary to identify, explore or address specific implementation issues.
- Promoting the work of other standard-setting bodies and other third party organisations.
- Enhancing and promoting the capacity of policymakers, regulators and supervisors seeking to advance insurance market access for low income consumers.
- Supporting the Implementation Committee in developing positions to inform IAIS representatives on the A2ii governing bodies.
- Holding joint meetings, following developments and liaising with other organisations and initiatives involved in financial inclusion, or other specific forms of insurance.

As summarized in Table 3, the Financial Inclusion Working Group, through its various drafting groups, was developing the following supporting material in 2016:

- Issues Paper on Index-based Insurance (work continued in 2016; completion expected by year-end 2017).
- Application Paper on the Use of Mutuals, Cooperatives and Community Organisations in Inclusive Insurance Markets (work continued in 2016; released for public consultation in mid-2016; adoption expected in 2017).
- Application Paper on Product Oversight in Inclusive Insurance (initiated in 2016; completion expected by year-end 2017).
- Application Paper on the Use of Digital Technology in Inclusive Insurance (initiated in 2016; completion expected by year-end 2017).
- Application Paper on Proportionate Prudential Requirements in Inclusive Insurance Markets (work continued in 2016; completion expected by year-end 2017).

The Chair of the Financial Inclusion Working Group is Sergej Simoniti (Slovenia, ISA). Sriram Taranikanti (formerly with India, IRDA), served as Chair for part of the reporting period. The Vice Chair is Luc Noubissi (CIMA). Sekayi Campbell (Jamaica, FSC) served as Vice Chair for part of the reporting period.

Signatories Working Group

The Signatories Working Group promotes the MMoU among IAIS Members, reviews the functioning and effectiveness of cooperation and information exchange under the MMoU, monitors the validation of applications received from interested IAIS Members, maintains dialogue with stakeholders on subjects related to the exchange of confidential supervisory information in multilateral contexts and strengthens cooperation and the exchange of information via multilateral frameworks (eg supervisory college agreements) for information exchange.

Launched by the IAIS in 2007, the MMoU is a foundational tool for strengthening cooperation and information exchange among Members. In addition to strictures in IAIS governing documents, ICP 3 (Information Exchange and Confidentiality Requirements) plainly and clearly requires Members to exchange information with other relevant supervisors and authorities subject to confidentiality, purpose and use requirements.

MMoU success is based on signatory reliance on its standards; in particular, its strict confidentiality regime, and on the procedures for admitting new signatories.

The number of MMoU signatories has steadily increased since 2009 and stood at 61 at year-end 2016 (Figure 9). These signatories account for approximately 70% of world premium volume. In 2016, five more Members became signatories—Bulgaria Financial Services Commission, EIOPA, South Africa Financial Services Board, New York (USA) Department of Financial Services and Tennessee (USA) Department of Commerce and Insurance. The complete list of MMoU signatories is available here.

The IAIS is assisted by numerous Member volunteers who serve as experts in the MMoU validation process.

The Chair of the Signatories Working Group is Michael Kehr (Germany, BaFin). The Vice Chair is Gita Timmerman (USA, NAIC).

STATUS OF PAPERS UNDER DEVELOPMENT, FINANCIAL INCLUSION WORKING GROUP, YEAR-END 2016

PAPER TYPE	SUBJECT	STATUS	COMPLETION
Issues	Index-based Insurance	Continuing	Year-end 2017
Application	Use of Mutuals, Cooperatives and Community Organisations in Inclusive Insurance Markets	Continuing	Mid-2017
Application	Product Oversight in Inclusive Insurance	Initiated	Year-end 2017
Application	Use of Digital Technology in Inclusive Insurance	Initiated	Year-end 2017
Application	Proportionate Prudential Requirements in Inclusive Insurance Markets	Continuing	Year-end 2017

Table 3

GROWTH IN NUMBER OF MMOU SIGNATORIES, 2009-16

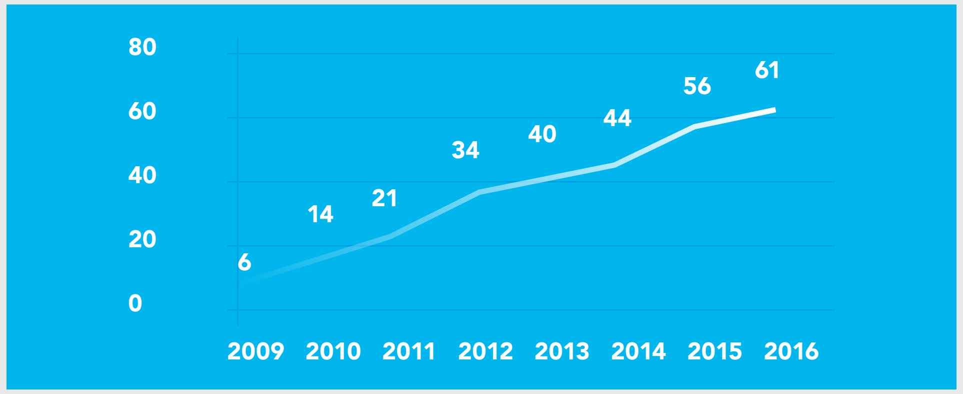


Figure 9

REPORT OF THE ACCESS TO INSURANCE INITIATIVE

In 2016, the A2ii continued its work in support of IAIS implementation objectives, establishing a stronger regional presence and responding to emerging market trends.

Regional Initiatives

Sub-Saharan Africa: The A2ii, in partnership with the IAIS, has continued to work towards developing a regional implementation plan for Sub-Saharan Africa. This plan is the result of a bottom-up mapping exercise conducted in 2015 and an ICP gap analysis in 2016. The A2ii facilitated a workshop on mobile insurance regulation in the Ivory Coast in May 2016 and organised a financial consumer education seminar in South Africa in September 2016. In addition, a regional project coordinator was recruited and placed on the ground in South Africa in September 2016.

Middle East and North Africa: The A2ii organised a week-long inclusive insurance training seminar for regional supervisors in Egypt in April 2016. In addition, the A2ii facilitated industry-supervisor dialogue by organising a consultative forum in Morocco in May 2016 on the topic of innovative products for the emerging consumer.

Asia: In Asia, the A2ii's focus has been on building relationships and fostering partnerships to support collaborative supervisory capacity building efforts in the region in the future. In March 2016, the A2ii facilitated a week-long inclusive insurance training seminar for regional supervisors in Thailand. The A2ii also supported the Asian Development Bank and IAIS ICP training organised in Taiwan in April 2016.

Latin America and the Caribbean: The A2ii-Inter-American Development Bank project on implementing regulatory standards for inclusive insurance concluded in May 2016. Otherwise, work focused on preparing for a regional coordinator to start on the ground in 2017. The placement of a regional coordinator is intended to put into action the Memorandum of Understanding IAIS and A2ii signed with the Association of Insurance Supervisors of Latin America in April 2015 and further increase A2ii general support to the region.

Knowledge-Sharing and Training Events

In close partnership with the IAIS, the A2ii brought together insurance supervisors and stakeholders for several knowledge-sharing and training events in 2016. See Table 4.

The A2ii conducted six consultation calls involving approximately 300 supervisors. These serve as a virtual exchange platform for insurance supervisors to discuss current access to insurance regulatory and supervisory topics and trends. In 2016, the following topics were discussed:

- Regulatory incentives for insurance market development (21 January 2016).
- Proportionate approaches to the supervision of intermediaries (31 March 2016).
- Regulatory definition of microinsurance II (19 May 2016).
- Experiences in implementing regulatory frameworks for inclusive insurance (21 July 2016).
- How supervisors can help enable access to insurance for migrants (22 September 2016).
- Data protection challenges in mobile insurance (24 November 2016).

It also held three consultative forums. These are a dynamic exchange platform between supervisors and the industry aimed at fostering knowledge and understanding around important issues in the field of inclusive insurance.

- "Innovative products for the emerging consumer" (11-12 May, Morocco).
- "The role of mutuals, cooperatives and community-based organisations in inclusive insurance markets" (15 November, Sri Lanka).
- "Challenges and opportunities presented by alternative distribution channels" (1 December, Costa Rica)

In partnership with the Toronto Centre and local partners, the A2ii also organised a week-long supervisory training seminar in Thailand and also in Egypt on inclusive insurance regulation. Training sessions drew from the A2ii-IAIS Module on "Regulation and Supervision Supporting Inclusive Insurance Markets" and employed interactive tools and case studies to strengthen the capacity of insurance supervisors with respect to inclusive insurance market development.

Finally, the A2ii convened two thematic regional seminars: one on mobile insurance and the other on financial education.

Publications

The A2ii released the following publications in 2016:

- A Policy Note on "How agricultural insurance can improve food security – and why regulation matters".
- A booklet entitled "Proportionate Regulatory Frameworks in Inclusive Insurance: Lessons from a Decade of Microinsurance Regulation".
- An article in the Microinsurance Network's publication "The State of Microinsurance" entitled "Implementation of Regulatory and Supervisory Standards for Access to Insurance in Latin America and the Caribbean".
- An updated Factsheet covering its work.

In 2017, the A2ii plans to increase its focus on expanding its needs-based supervisory support services at the global, regional and national levels and take an increasingly thematic approach to regional engagement. The A2ii will also refresh and expand its capacity building toolkit by launching an Inclusive Insurance Innovation Lab, a novel approach to stimulating innovations to help support inclusive insurance growth.

NUMBER OF A2II EVENTS 2016

A2II EVENTS	NUMBER
Consultative calls	6
Consultative forums	3
Inclusive insurance training seminars	2
Thematic regional seminars:	2

Table 4

William Mason
Chair, Audit and Risk Committee

REPORT OF THE AUDIT AND RISK COMMITTEE

Responsibilities of the Audit and Risk Committee include oversight over the following:

- Risk Management Framework, internal control systems, and compliance with relevant laws, regulations, rules and procedures.
- Strategic and operational performance.
- Financial reporting.
- Relationship with the external auditor.

The Risk Management Framework along with the IAIS Risk Appetite Statement came into force in January 2015. Both have been integrated into IAIS operations. The Secretary General continues to provide regular updates to the Audit and Risk Committee and Executive Committee on the most substantial risks facing the IAIS and how these are being managed.

The Risk Appetite Statement is now applied on an ongoing basis as well as being annually applied to evaluate the 2015-19 Strategic Plan and Financial Outlook to ensure risks remained within the agreed upon thresholds. The Committee notes that the increasing application of the Risk Appetite Statement has seen improvements arising within IAIS governance.

The Committee has monitored the Executive Dashboard on a quarterly basis to examine the adequacy and effectiveness of IAIS assessment and reporting of its strategic and operational performance. The Committee challenges management on the progress identified within and has made and will continue to make recommendations for improvement when it perceives the need to do so.

The Committee continues to be concerned about resource overstretch given the volume and scope of IAIS activities. It welcomed the June 2016 appointment of a Deputy Secretary General focused solely on operational matters. There have been some adjustments to the scheduling of some projects and allocation of resources to ensure outputs are completed in a high quality fashion.

The Committee is pleased to note that the Secretariat successfully completed all recommendations arising from the last internal audit.

In cooperation with the Budget Committee, the Committee continues to review and monitor the IAIS financial reporting processes and the external audit of IAIS accounts to ensure these are appropriately handled and within procedures. There are no material issues to report on with regard to the now finalised 2016 accounts.

During 2016, the Committee extended its capacity by a further one member to allow for its workload.

The Chair of the Audit and Risk Committee is William Mason (Guernsey, FSC). Bernard Dupont (Canada, OSFI) served as Vice Chair during the reporting period.

Peter Braumüller
Chair, Budget Committee

REPORT OF THE BUDGET COMMITTEE

The 2016 IAIS financial statements were prepared in accordance with Swiss law. They were audited by Ernst & Young, who issued an unqualified audit opinion.

The audited financial statements show net expenditure of CHF 287,956 compared with budgeted net expenditure of CHF 318,998. Increases in travel costs, meeting expenses and recruitment costs were offset by lower contributions needed towards the Annual Conference and General Meeting and savings in other areas. Revenue includes a financial contribution from the Bank for International Settlements.

The IAIS maintains a conservative investment policy. Funds are invested primarily in bank current and deposit accounts, as well as in certain investments with capital protection. These provide a high degree of capital security. In light of the negative interest charged by the Swiss National Bank, the investment climate has become challenging. During the year, the Budget Committee reviewed the IAIS investment policy to ensure that it remains up to date and enables us to find suitable investment options in the current environment, while continuing to pay due regard to our high priority of security of capital. An updated policy was due to be approved by the Executive Committee in February 2017.

Finally, the IAIS greatly appreciates the continuing support from Members and third parties whose contributions include grants or in-kind support, such as secondments of staff to the Secretariat. For this past year, the IAIS is grateful particularly for the contributions and special support provided during 2016 by the Bank for International Settlements, the China Insurance Regulatory Commission, the Financial Supervisory Commission (Chinese Taipei), the Financial Services Agency (Japan), the Financial Supervisory Service (Republic of Korea), the Financial Supervisory Authority (Romania) and the Monetary Authority of Singapore.

The Chair of the Budget Committee is Peter Braumüller (Austria, FMA). The Vice Chair is Ryan Workman (USA, NAIC).

YEAR IN REVIEW

STANDARD SETTING

SUPERVISORY MATERIAL

ComFrame: Completed qualitative field testing and began the process of integrating ComFrame-related material into the ICP framework.

ICPs: Continued finalising proposed revisions to a package of ICPs and ComFrame-related material.

ICS: Held public consultation on ICS Version 1.0

SUPPORTING MATERIAL

Published the following supporting material:

- Issues Paper on Cyber Risk to the Insurance Sector
- Application Paper on Supervising the Conduct of Intermediaries

Papers under development:

- Issues Paper on Index-based Insurance (in partnership with the World Bank)
- Application Paper on Product Oversight in Inclusive Insurance Application Paper on the Use of Digital Technology in Inclusive Insurance
- Application Paper on Mutuals, Cooperative and Community Based Organisations (in the final stages)
- Application Paper on Actuarial Practices in Inclusive Insurance (in partnership with the International Actuarial Association)

(See pages 44-45 for details)

OTHER MATERIAL

- Published the 2015 Global Insurance Market Report (GIMAR)
- Completed the draft 2016 GIMAR
- Developed draft report on FinTech developments

FINANCIAL STABILITY

- **G-SIIs:** Published updated assessment methodology
- Applied updated methodology
- Published new G-SII disclosures – Public Report

IMPLEMENTATION

- 565 insurance supervisors participated in IAIS capacity building events
- Added five new MMoU signatories
- Completed Survey on Development Needs
- Began revising the supervisory core curriculum

EVENTS

- Global Seminar and Annual Conference drew 600+ attendees
- Annual Conference opened to stakeholders

RECOGNITIONS

- Named 2016 Distinguished Fellows

STAKEHOLDER ENGAGEMENT

- Approved draft Stakeholder Engagement Plan
- Held Executive Committee Dialogue
- Participated in several academic events
- Held 24 stakeholder events
- Held NAIC briefing on the ICS and other IAIS activities.

(See pages 46-47 for details)

SUSTAINABLE INSURANCE

- Provided Leadership for New Sustainable Insurance Forum

ACTION ON SUPERVISORY AND SUPPORTING MATERIAL

Supervisory Material
The following supervisory material was under development in 2016:

ICP/COMFRAME SUPERVISORY MATERIAL UNDER DEVELOPMENT IN 2016

1. **The Introduction to ICPs and ComFrame and the ICP Assessment Methodology**

2. **Governance**
ComFrame material integrated with ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance) and ICP 8 (Risk Management and Internal Controls)

3. **The Supervisor and Supervisory Measures**
Revised ICP 9 (Supervisory Review and Reporting), plus ComFrame integrated material
Revised ICP 10 (Preventive Measures, Corrective Measures and Sanctions), plus ComFrame integrated material (ICPs 10 and 11 are combined into a single ICP)

4. **Supervisory Cooperation and Coordination**
Revised ICP 3 (Information Sharing and Confidentiality Requirements)
Revised ICP 25 (Supervisory Cooperation and Coordination), plus ComFrame integrated material
ICP 26 (Cross-border Cooperation and Coordination on Crisis Management) is currently planned to be integrated with ICPs 12 (Exit from the Market and Resolution) and 25.

5. **Resolution**
Revised ICP 12 and ComFrame integrated material
ICP 26 is currently planned to be integrated with ICPs 12 and 25.

Figure 10

Supporting Material
The Executive Committee adopted the following supporting material in 2016.

Application Paper on Supervising the Conduct of Intermediaries. This paper documents ideas on approaches that IAIS Members may wish to consider when developing or revising a regime for the supervision of intermediaries, and supports the implementation of ICP 18 (Intermediaries) and relevant aspects of ICP 19 (Conduct of Business). The Executive Committee adopted the paper in November 2016.

Issues Paper on Cyber Risk to the Insurance Sector. This paper built upon a 2015 survey of IAIS Member approaches to cyber risk. It provides background on current practices, identifies examples, and explores related regulatory and supervisory issues and challenges. The purpose of this paper is to raise awareness among insurers and supervisors regarding the challenges presented by cyber risk, including current and contemplated supervisory approaches for addressing these risks. The Executive Committee adopted the paper in August 2016.

The following supporting material was under development in 2016:

Application Paper on Group Corporate Governance. The purpose of this Application Paper is to create a common understanding among supervisors on assessing or evaluating the governance frameworks of insurance groups.

Application Paper on the Use of Mutuals, Cooperatives and Community Organisations in Inclusive Insurance Markets. The purpose of this paper is to raise policymaker, regulator and supervisor awareness of the role these entities can play in enhancing access to insurance and to provide application guidance on the way the ICPs could be applied in a proportionate manner. This paper was released for public consultation in mid-2016 and was expected to be adopted in mid-2017.

Application Paper on Product Oversight in Inclusive Insurance. Work began on this paper in 2016. It is built off of the Issues Paper on Conduct of Business in Inclusive Insurance (adopted in November 2015). The purpose of this paper is to provide guidance to supervisors, regulators and policymakers when considering, designing and implementing regulations and supervisory practices on product oversight in inclusive insurance. This paper was expected to be completed by year-end 2017.

Application Paper on the Use of Digital Technology in Inclusive Insurance. Work began on this paper in 2016. It builds off the Issues Paper on Conduct of Business in Inclusive Insurance. The purpose of this paper is to address the crucial role new technologies play in inclusive insurance markets. This paper was expected to be completed by year-end 2017.

Application Paper on Proportionate Prudential Requirements in Inclusive Insurance Markets. IAIS work on this paper continued in 2016. The purpose of this paper – being developed in cooperation with the International Actuarial Association (IAA) – is to identify and develop approaches to establish or reinforce actuarial expertise in inclusive insurance markets based on an understanding of a proportionate application of prudential requirements in inclusive insurance markets. The IAA is working on a complementary paper entitled Approaches to Actuarial Services in Inclusive Insurance Markets. This paper was expected to be completed by year-end 2017.

Paper on Index-based Insurance. IAIS work on this paper continued in 2016 in cooperation with the World Bank. Since index-based insurance products, projects and programmes are increasing in number and coverage, the IAIS is preparing this paper to examine the various issues and challenges. The IAIS was expected to complete this paper by year-end 2017.

THE IAIS COMMITMENT TO STAKEHOLDER ENGAGEMENT

As expressed in IAIS Bylaws, Article 2(3), the IAIS is committed to operating in an open and transparent manner. In furtherance of this important organisational value, 2016 was marked by increased engagement opportunities.

DRAFT STAKEHOLDER ENGAGEMENT PLAN APPROVED

In January 2016, the Executive Committee created a Stakeholder Engagement Task Force to develop a comprehensive Stakeholder Engagement Plan. The Task Force completed the draft plan. In November 2016, the Executive Committee approved the release of the draft plan for purposes of receiving stakeholder feedback. The feedback period closes in late January 2017. The final plan is expected to be published in March 2017, with implementation occurring throughout 2017.

IAIS EXPANDS STAKEHOLDER ENGAGEMENT IN KEY ANNUAL EVENTS

The Executive Committee adopted several preliminary recommendations of the Stakeholder Engagement Task Force submitted prior to the completion of the Stakeholder Engagement Plan. These included the following:

- Opening the 2016 Annual Conference (Asuncion) to stakeholder participation.
- Expanding the Global Seminar in June 2016 (Budapest) to a full two-day event with significant involvement from diverse stakeholders including consumer representatives.
- Inviting diverse stakeholder participation as panellists and in identifying topics for both events.

COMMUNICATION IMPROVES STAKEHOLDER ACCESS TO INFORMATION

In addition, the IAIS took a number of steps in 2016 to help enhance stakeholder engagement. These included:

Enhancing the IAIS Newsletter content by highlighting stakeholder engagement opportunities, with more frequent use of hyperlinks to simplify reader access to key documents, forms and supervisory material.

- Creating a standalone Consultations page on the IAIS website to enhance visibility and public ease of access.
- Posting video recording of the 2016 Global Seminar and panellist presentation materials on the IAIS website.
- Hosting an Executive Committee Dialogue between Members and stakeholder panellists as part of the 2016 Global Seminar.

EXCO DIALOGUE MARKED BY LIVELY EXCHANGE OF PERSPECTIVES

As part of its commitment to public engagement and transparency on key IAIS initiatives, the Executive Committee held a stimulating 90-minute dialogue at the Global Seminar with consumer, industry and peer organisation representatives on a full spectrum of global insurance issues.

IAIS FACILITATES PUBLIC INPUT INTO PRODUCT DEVELOPMENT

In 2016, the IAIS held six public consultations and eighteen subject-matter stakeholder meetings, including four public background sessions. These covered a broad spectrum of IAIS workstreams, from ComFrame and the ICS to the updated G-SII assessment methodology and various ICPs.

IAIS TAPS INTO ACADEMIC EXPERTISE

The IAIS expanded its engagement with the academic community in 2016. In March, the IAIS participated in the "Research Workshop on International Insurance Capital Standards – Dialogue between Insurance Supervisors, Academics and Professionals". Organized by the Nanyang Technological University Insurance Risk and Finance Research Centre, in collaboration with the Monetary Authority of Singapore and the IAIS, the workshop provided an opportunity for academics and professionals to provide feedback on key options for designing global insurance capital standards.

In December, the IAIS teamed up with the School of Risk Management at St. John's University (New York, USA) to host the "Academic Forum on the IAIS Insurance Capital Standard". Papers were presented on a range of topics related to the ICS in this day-long academic engagement.

IAIS BRIEFS NAIC ON ICS AND OTHER IAIS ACTIVITIES

In 2016, the IAIS held several special briefings on IAIS activities for NAIC Members and interested stakeholders, in conjunction with NAIC International Committee meetings and in standalone sessions.

COMING TOGETHER: THE IAIS GLOBAL SEMINAR AND ANNUAL CONFERENCE

9TH ANNUAL IAIS GLOBAL SEMINAR CONCLUDES AFTER WIDE-RANGING DISCUSSION
ICS, SYSTEMIC RISK AND EMERGING MARKET ISSUES AMONG THE TOPICS EXAMINED

The IAIS welcomed nearly 300 Members and stakeholders to Budapest, Hungary for two days of presentations and dialogue at the 9th Annual IAIS Global Seminar. Hosted by the Central Bank of Hungary, the Global Seminar offered a diverse programme of topics relevant to both advanced and emerging insurance markets, in addition to the much-anticipated Executive Committee Dialogue.

"For two days, IAIS Members studied and discussed key global insurance issues and IAIS projects from a variety of perspectives," stated Victoria Saporta, Chair of the IAIS Executive Committee. "Through their participation in these critical discussions, Members reinforced the central role that local participation and approaches play in developing global standards and the importance of international cooperation in achieving our mission of protecting policyholders and promoting global financial stability".

As part of its commitment to public engagement and transparency on key IAIS initiatives, the Executive Committee held a stimulating 90-minute dialogue with consumer, industry and peer organisation representatives on a full spectrum of global insurance issues. As Yoshihiro Kawai, IAIS Secretary General and Dialogue Moderator, observed: "The Dialogue gave an intensive focus to the critical work the IAIS is doing with many of the affected interests. We discussed IAIS achievements in standard-setting and in promoting global financial stability, proportionate implementation, as well as exploring new opportunities to engage with stakeholders".

In addition to the Executive Committee dialogue, the Global Seminar covered a wide range of current topics.

The Seminar concluded with a focus on the state of the global insurance market. This included a presentation of findings from the recent GIMAR and a recent International Monetary Fund Report on global financial stability.

PANEL NOTES...

- **Global capital standards and the development of the ICS.** Members were updated on IAIS progress in developing the risk-based In ICS. With interest continuing to grow, ICS Version 1.0 remained on track for completion in mid-2017 and ICS Version 2.0 in 2019 as part of the IAIS ComFrame package applicable to all IAIGs. Panellists agreed with the goal of having a common regulatory capital framework.

- **G-SII assessment and designation process.** Panellists shared perspectives on the updated G-SII assessment methodology (G-SII Press Release) and on evaluating systemic risk at the firm level in a combination of quantitative and qualitative criteria and/or evaluating systemic risk at the insurance sector level in a potential activity-based approach. Discussions ensued on the importance of having a transparent process – one that makes results comprehensible but which does risk making public confidential data – and an independent review. Also discussed were distinctions between domestic systemically important and global systemically important companies.

- **Selected insurance issues in emerging economies and developing insurance markets.** Panellists discussed progress on the restructuring of SUSEP, the Brazilian insurance supervisory entity. Key issues facing countries planning to liberalise Motor Third Party Liability premiums were described based on the experience of Slovenia and other countries in the Balkan region. Panellists considered global trends and supervisory challenges in inclusive insurance markets, noting the multiple insurance challenges many countries face and the important role proportionality plays in addressing these. The role of supervisory judgment in applying proportionality was also emphasized.

- **Conduct of business supervision.** Panellists discussed various approaches to conduct of business supervision. Presentations focused on the approach to market conduct supervision in Canada and the development of its cooperative framework; conduct of business risk in mobile phone insurance in Ghana and steps being taken to mitigate the risk; the regulatory and supervisory landscape at the European Union and challenges in balancing quality and quantity in product disclosures; and the case for consumer involvement in the standard-setting process.

- **Assessment as a first step in implementing ICPs.** This panel discussed the critical role of implementation for a standard-setting body and the use of assessments to identify gaps and promote ICP observance and understanding. Presenters discussed five steps to maximize the value of an assessment and heard regional perspectives on ways supervisors share and discuss practical solutions to increase observance of these core principles.

- **Cyber risk and cyber insurance.** After noting the forthcoming IAIS Issues Paper on Cyber Risk to the Insurance Sector, panellists discussed the multifaceted nature of cyber risk from different perspectives. They recognised the scarcity of historical data and the current absence of a common language for cyber risk, including risk categorisation. Firms were reminded that today's best practices could quickly become outdated. Insurance supervisors play a key role in supporting the development of best practices, including facilitating information sharing. Panellists cautioned against imposing prescriptive regulatory requirements due to the ever-changing nature of cyber risk.

23RD ANNUAL CONFERENCE HIGHLIGHTS INCLUDE STEADY PROGRESS ON KEY INITIATIVES, ELECTION OF LEADERSHIP, MEMBERSHIP GROWTH AND STAKEHOLDER ENGAGEMENT PLAN

The IAIS held its 23rd Annual Conference, preceded by the Annual General Meeting of Members and three days of committee meetings. As Yoshihiro Kawai, IAIS Secretary General, noted, "It was a productive week for advancing IAIS initiatives through robust and engaging discussions. With the IAIS approaching another round of important milestones in 2017, we look forward to continued cooperation and collaboration in achieving key goals".

Hosted by the Central Bank of Paraguay, the IAIS Annual Conference drew more than 300 Members and stakeholders to Asuncion, Paraguay, for two days of dialogue and panel discussions in a diverse programme for both advanced and emerging insurance markets. The Annual Conference featured panels on risk-based supervision, financial stability and policyholder protection, technological innovation in insurance and insurance as an agent for achieving sustainable growth. During a panel focused on major initiatives, the IAIS announced plans to revise the existing ComFrame structure by integrating text into the ICP format.

Carlos Fernandez Valdovinos, President, Central Bank of Paraguay and Joaquim Levy, Managing Director and Chief Financial Officer of the World Bank Group, gave keynote addresses highlighting the role insurance plays in global financial systems and economic development.

At the IAIS Annual General Meeting preceding the Annual Conference, Members approved the Annual Report, admitted two new Members (Financial Services Authority, Seychelles and Abu Dhabi Global Market Financial Services Regulatory Authority, United Arab Emirates), and elected and re-elected a number of Executive Committee members. The IAIS Executive Committee subsequently re-elected Victoria Saporta (UK, PRA) to a second term as Chair, and elected Hiroshi Ota (Japan) as a new Vice Chair to join Julie Mix McPeak (USA,Tennessee).

Engagement Plan

Distinguished Fellow Award

"IAIS conferences represent a privileged channel of interaction and exchange. They are a rich and diverse platform for knowledge and information and provide participants with unique networking opportunities with unprecedented access to the largest circles of influence in the field".

Hassan Boubrik, Supervisory Authority of Insurance and Social Welfare, Morocco; Member, IAIS Executive Committee

REGIONAL TRAINING SEMINARS

In furtherance of its mission, the IAIS is charged with facilitating mutual assistance, education and training on insurance supervision. The IAIS delivers training and technical assistance in partnership with other appropriate organisations such as the A2ii. The IAIS generally does not undertake directly any support work in this regard. Consistent with this approach, the IAIS sponsored and organised nine training seminars for insurance supervisors in 2016. (Table 5)

REGIONAL TRAINING SEMINARS SPONSORED AND ORGANIZED BY THE IAIS (2016)

Date	Location	Host / Organisers	Seminar title
3 – 7 April	Cairo, Egypt	Egyptian Financial Supervisory Authority / A2ii, Toronto Centre and IAIS	Inclusive Insurance (Microinsurance) Training Programme for Supervisors in the Middle East and North Africa and sub-Saharan Africa regions
26 – 28 April	Vilnius, Lithuania	Bank of Lithuania / Financial Stability Institute and IAIS	Regional Seminar for Insurance Supervisors in Central and Eastern Europe, Transcaucasia and Central Asia on Supervision of Insurers' Enterprise Risk Management
18 – 21 April	Rio de Janeiro, Brazil	Superintendência de Seguros Privados (SUSEP) / Association of Insurance Supervisors of Latin America and IAIS	Association of Insurance Supervisors of Latin America Annual Assembly and Conference on Insurance Regulation and Supervision in Latin America
24 – 26 May	Panama City, Panama	Superintendence of Insurance and Reinsurance of Panama (SSRP) / Insurance and Reinsurance Superintendence of Panama, Association of Insurance Supervisors of Latin America, Financial Stability Institute and IAIS	Regional seminar for insurance supervisors in Latin America on promoting sound insurers and dealing with those under stress
26 – 29 July	Manilla, Philippines	Insurance Commission of Philippines / The ASEAN Insurance Training and Research Institute, Toronto Centre, Global Affairs Canada, International Monetary Fund and IAIS	Corporate Governance and Enterprise Risk Management by Insurers
13 – 15 September	Accra, Ghana	National Insurance Commission of Ghana / Financial Stability Institute and IAIS	Regional Seminar on Risk-Based Supervision and Dealing With Troubled Insurers
29 – 30 September	Sandton, South Africa	Financial Services Board of South Africa / A2ii, FinMark Trust, and IAIS	Seminar on Financial Education: Challenges, Trends and Measures of Success in Supporting Financial Inclusion in Sub-Saharan Africa
28 – 30 November	San José, Costa Rica	General Superintendence of Insurance of Costa Rica / Association of Insurance Supervisors of Latin America and IAIS	Regional Training Seminar for insurance supervisors of Latin America focusing on recent regulatory and supervisory changes in the region and the implementation of ICPs
6 – 8 December	London, UK	Guernsey Financial Services Commission / Group of International Insurance Centre Supervisors and IAIS	This event focused on the topics of conduct supervision and enforcement, risks in offshore life and general insurance

Table 5

IAIS DISTINGUISHED FELLOWS FOR 2016

Through the Distinguished Fellows programme, the IAIS honours former Member representatives for their substantial involvement in IAIS activities and outstanding service. Honourees are nominated and approved by their peers. It is a special way of paying tribute to those who have selflessly contributed their time and expertise to advance the IAIS mission. To Victoria Saporta, Executive Committee Chair, "The Distinguished Fellows programme recognises extraordinary dedication to this association". In 2016, the IAIS conferred this honour upon three former colleagues:

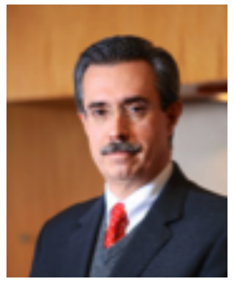
- Manuel Aguilera Verduzco (formerly with CNSF, Mexico)
- Ian Laughlin (formerly with APRA, Australia)
- Kevin McCarty (formerly with USA, Florida)

These 2016 Distinguished Fellows join the ranks of other individuals similarly honoured since the IAIS created the programme in 2004. To each Distinguished Fellow, thank you for your outstanding service to the IAIS!

The Distinguished Fellow trophy recognising "service with distinction".

IAN LAUGHLIN (FORMERLY WITH AUSTRALIA, APRA)

Ian Laughlin served as a Member of the Australian Prudential Regulatory Authority (APRA) from July 2010 and was appointed its Deputy Chairman until he left APRA to re-join the financial industry in June 2015. He also served as an IAIS Executive Committee member from October 2010 until June 2015 and Chair of the Audit and Risk Committee until his departure from APRA and, consequently, the IAIS. Ian also chaired the IAIS Venue Selection Committee.



MANUEL AGUILERA VERDUZCO (FORMERLY WITH MEXICO, CNSF)

Manuel Aguilera-Verduzco served on IAIS Executive Committee from 1998 to 2015 and chaired it from 2001 to 2004. He also chaired the Implementation Committee in 2007. Throughout his career as insurance supervisor, Manuel held the positions of Vice Chair of the Technical Committee and coordinated the Working Group on Observership and Membership Issues, the Dialogue Group, the Task Force on Revisions to the Insurance Core Principles and the Working Group for the Future and Financing of the IAIS.

KEVIN MCCARTY (FORMERLY WITH USA, FLORIDA)

Kevin McCarty served the IAIS in a wide range of capacities from 2008 until his departure as Commissioner of the Florida Office of Insurance Regulation in July 2016. He was a member of the IAIS Executive Committee beginning in 2008 and a Co-Vice Chair from 2012 to 2016. He was also a member of the Audit and Risk Committee, including serving as Vice Chair; member of the Coordination Group; member of the Performance and Compensation Committee and Co-Chair of the Stakeholder Engagement Task Force. Kevin was also integrally involved in strategic planning for the Association as a member of the Strategy Task Force (2014) and member of the Internal Review Task Force (2011). He also served as a Member of the Technical Committee (and its successor Financial Stability and Technical Committee) beginning in 2010. Kevin served as a panellist and a moderator at numerous IAIS Annual Conferences and other events.

AUDITOR'S REPORT

Ernst & Young Ltd
Aeschengraben 9
P.O. Box
CH-4002 Basle

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Fax +41 58 286 86 00
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To the General Meeting of

International Association of Insurance Supervisors, Basle

Basle, 2 June 2017

Report of the auditor on the financial statements

As auditor in accordance with article 11 of your by-laws, we have audited the accompanying financial statements of International Association of Insurance Supervisors, which comprise the Statement of Financial Position, Statement of Activities, Statement of Cash Flows and Notes for the year ended 31 December 2016.

Executive Committee's responsibility
The Executive Committee is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the by-laws. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Executive Committee is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the by-laws.

Report on other requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 69b Swiss Civil Code (CC) in connection with article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 69b CC in connection with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Management.

Ernst & Young Ltd

Christian Fleig
Licensed audit expert
(Auditor in charge)

Jens Thomae
Licensed audit expert

Enclosure
- Financial statements (Statement of Financial Position, Statement of Activities, Statement of Cash Flows and Notes)

FINANCIAL STATEMENTS

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
BALANCE SHEET
AS AT 31 DECEMBER 2016
(IN SWISS FRANCS)

	Note	2016	2015
ASSETS			
Cash and cash equivalents	6	10,228,918	9,455,787
Other short-term receivables	7	150,049	91,218
Prepaid expenses and accrued income		128,114	127,375
Total current assets		**10,507,081**	**9,674,380**
Financial assets	8	–	1,000,000
Total non-current assets		–	**1,000,000**
Total assets		10,507,081	**10,674,380**
LIABILITIES AND EQUITY			
Other short-term liabilities	9	22,000	141,560
Accrued expenses and deferred income	10	1,849,503	1,609,286
Total liabilities		**1,871,503**	**1,750,846**
Voluntary retained earnings			
Balance brought forward		8,923,534	8,548,808
Net result for year		(287,956)	374,726
Total equity		**8,635,578**	**8,923,534**
Total liabilities and equity		**10,507,081**	**10,674,380**

There were no movements in equity during the year other than those included in the Balance Sheet.
The accompanying notes form part of these financial statements.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016
(IN SWISS FRANCS)

	Note	2016	2015
OPERATING INCOME			
Membership fees		5,127,950	4,539,900
Contributions received	3	2,600,000	2,600,000
Total operating income		**7,727,950**	**7,139,900**
OPERATING EXPENSES			
Contributions paid	12	163,397	223,603
Staff costs	13	6,135,267	5,342,130
Other operating expenses	14	1,663,542	1,129,489
Total operating expenses		**7,962,206**	**6,695,222**
Operating result		**(234,256)**	**444,678**
Financial income	15	11,213	12,282
Financial expenses	16	(64,913)	(82,234)
Net result for year		**(287,956)**	**374,726**

Other than financial income and expenses included above, there was no non-operating income or expenses, no extraordinary items or significant adjustments in respect of prior periods.
The accompanying notes form part of these financial statements.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016
(IN SWISS FRANCS)

	Note	2016	2015
Net result for year		**(287,956)**	**374,726**
(Increase) / decrease in other short-term receivables		(58,831)	1,250,440
(Increase) in prepaid expenses and accrued income		(739)	(60,113)
(Decrease) in other current liabilities		(119,560)	(793,152)
Increase in accrued expenses and deferred income		240,217	226,172
Cash (outflow) / inflow from operating activities		**(226,869)**	**998,073**
Proceeds from maturity of term deposit		–	3,000,000
Proceeds from maturity of floating rate note		1,000,000	–
Cash inflow for investing activities		**1,000,000**	**3,000,000**
Change in cash and cash equivalents		**773,131**	**3,998,073**
Cash and cash equivalents at beginning of year	6	9,455,787	5,457,714
Cash and cash equivalents at end of year	6	10,228,918	9,455,787
Change in cash and cash equivalents		**773,131**	**3,998,073**

The accompanying notes form part of these financial statements.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

1. NATURE OF ORGANISATION

The International Association of Insurance Supervisors ("IAIS" or "the Association") is an association established under Swiss Law. The Association is domiciled in Basel, Switzerland and receives fees from its Members worldwide.

The IAIS provides an independent forum for insurance supervisors to promote cooperation among its Members in carrying out their responsibilities. Its mission 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.

2. KEY ACCOUNTING PRINCIPLES

a. Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd Title of the Swiss Code of Obligations) enacted on 23 December 2011 by the Federal Assembly of the Swiss Confederation, that became effective on 1 January 2013. It is applicable to financial statements from the financial year 2015.

b. Scope of the financial statements

These financial statements contain all assets and liabilities that are controlled by the Association and in respect of which the economic benefits as well as the rights and obligations lie predominantly with the Association.

c. Basis of preparation

The financial statements have been prepared on a going concern basis. They have been prepared on the historical cost basis, and income and expense items are recorded on the accruals basis. The principal accounting policies are set out below.

d. Functional and presentation currency

The functional and presentation currency is the Swiss franc.

e. Cash and cash equivalents

Cash and cash equivalents comprise bank current and deposit accounts which are highly liquid and readily convertible to cash.

f. Financial assets

Investments in term deposits and fixed term structured products are held to maturity and are accounted for at amortised cost.

Income from investments is accounted for as financial income.

g. Provision for bad debts

Provisions are recognised as a charge to the Income Statement if the Association has concern over the recovery of outstanding receivables. The policy of the Association is to write off membership fees that remain unpaid for two consecutive years, or upon confirmation of non-recovery if earlier.

h. Withholding taxes

Interest income is reported net of withholding taxes and included as part of financial income.

3. BENEFITS RECEIVED

The IAIS is hosted by the Bank for International Settlements (BIS), which is not an IAIS Member. It benefits from various support provided by the BIS that includes the provision of meeting organisation services, administration, accounting, human resources, legal and other advisory services, office space and IT equipment, and one full-time technical administrator. The BIS also administers a staff pension scheme of which a number of IAIS staff are entitled to membership. The pension obligations lie with the BIS and the IAIS has no legal commitment for the payment of pension amounts to staff. In addition, from 2015 until 2019, the BIS will make annual financial contributions to the IAIS, in accordance with an agreement between both parties. This funding is in recognition of the financing gap created by the discontinuation of the industry Observer status from 2015. The contribution provided in 2016 was CHF 2,600,000.

The Association also benefits from Members' secondment of staff to its Secretariat. The total amount of these benefits does not form part of these financial statements.

4. THIRD PARTY CONTRIBUTIONS

The use of these funds is restricted as determined by agreements with the contributors.

FSA Japan Grant

Funds are contributed annually to support the IAIS's activities and are held in a separate CHF-denominated bank account, on which there was a balance of CHF 19,156 as at 31 December 2016. These funds are held outside the IAIS financial statements; all transactions are financially independent from the IAIS and the financial records are independently audited.

IAIS Education Fund

The fund represented contributions received from donors to be used for educational purposes. The balance on the fund was fully utilised during 2016. The funds were held outside the IAIS financial statements; all transactions were financially independent from the IAIS and the financial records are independently audited.

5. INCOME TAXES

The Association is exempt from Swiss income tax.

6. CASH AND CASH EQUIVALENTS

	2016	2015
CHF Current accounts	4,214,749	7,441,319
CHF Short term savings accounts	6,014,169	2,014,468
	10,228,918	**9,455,787**

7. OTHER SHORT-TERM RECEIVABLES

	2016	2015
Annual conference (Note 11)	–	77,056
Membership fees receivable	54,883	41,862
Other	131,839	600
	186,722	**119,518**
Less: provision for bad debts	(36,673)	(28,300)
	150,049	**91,218**
Movement in provision for bad debts:		
Charge to operating expenses:		
Provision made during the year	75,143	49,900
Amounts recovered in year	(10,900)	(15,100)
Charge to operating expenses	**64,243**	**34,800**
Movement in provision		
Opening balance	28,300	117,578
Charge to operating expenses	64,243	34,800
Amounts written off in year	(55,870)	(124,078)
Closing balance	**36,673**	**28,300**

8. FINANCIAL ASSETS

Investments held to maturity

	2016	2015
Term deposits	–	–
Floating rate note	–	1,000,000
	–	**1,000,000**

During the year the floating rate note of CHF 1,000,000 matured. The floating rate note was a structured product with full capital protection and a five year term. Capital was repaid on maturity in December 2016; interest was variable, based on CHF LIBOR and subject to a minimum (floor) and maximum (cap).

9. OTHER SHORT-TERM LIABILITIES

	2016	2015
Contribution towards Annual Conference and General Meeting expenses (Note 11)	22,000	100,000
Other	–	41,560
	22,000	**141,560**

10. ACCRUED EXPENSES AND DEFERRED INCOME

	2016	2015
Accrued expenses:		
Audit	10,000	9,000
Bank for International Settlements	467,420	771,891
Consultancy	36,395	35,000
Recruitment	40,030	–
Seminars	44,241	32,283
Travel	54,631	26,707
Website & IT	13,620	31,725
Other	262,546	203,655
Deferred income:		
Membership fees received in advance	920,620	499,025
	1,849,503	**1,609,286**

Amounts due to the Bank for International Settlements are in respect of staff costs and other operating expenses. All other accrued expenses relate to third parties.

11. ANNUAL CONFERENCE AND GENERAL MEETING

	2016	2015
Contribution towards Annual Conference and General Meeting expenses	22,000	100,000
Over-accrual of 2014 Conference expenditure	–	(1,075)
	22,000	**98,925**

From 2015, Annual Conference fees and expenditure are the responsibility of the host. The host is also responsible for organising a General Meeting, the costs of which are borne by the IAIS. The IAIS set aside in its annual budget for 2016 a maximum amount of CHF 100,000 to cover the costs of the General Meeting and contribute towards costs related to the Annual Conference. Any net costs, after taking into account the IAIS contribution, were borne by the host.

12. CONTRIBUTIONS PAID

	2016	2015
Annual Conference and General Meeting (Note 11)	22,000	98,925
Regional seminars	81,397	84,678
Global seminar	60,000	40,000
	163,397	**223,603**

13. STAFF COSTS

	2016	2015
Employment costs	5,936,432	5,252,733
Relocation	198,835	89,397
	6,135,267	**5,342,130**

The IAIS has no more than 50 full time positions.

14. OTHER OPERATING EXPENSES

	2016	2015
Audit	10,641	9,000
Consultancy fees	54,801	74,500
Copies & postage	169	147
FSI Connect licences	68,233	–
Information services	51,557	47,798
Insurance	96,259	84,948
Meeting expenses	213,644	130,172
Miscellaneous	40,315	11,876
Printing & documentation	20,830	1,320
Provision for bad debts	64,243	34,800
Recruitment	96,298	–
Telephone & fax	15,214	9,821
Training	38,064	43,200
Travel	709,983	527,118
Website and IT	183,291	154,789
	1,663,542	**1,129,489**

15. FINANCIAL INCOME

Interest on:

	2016	2015
Bank accounts	–	199
Term deposits	–	455
	–	654
Floating rate note	11,213	11,628
	11,213	**12,282**

The Association presents interest net of withholding tax.
See also Note 2.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

16. FINANCIAL EXPENSES

	2016	2015
Bank charges & custody fees	5,536	4,221
Bank interest	58,687	42,594
Foreign exchange loss	690	35,419
	64,913	**82,234**

The 2015 foreign exchange loss relates to a receipt during the year in respect of the 2014 annual conference surplus and retranslation of the outstanding balance as at 31 December 2015, due to exchange rate movements between the Euro and Swiss franc during the year.

17. INVESTMENT POLICY AND RISK MANAGEMENT

The Budget Committee meets at least four times a year and assesses the financial risks that could have an impact on the Association. The Secretariat monitors the day-to-day activities of the Association and provides regular reports to the Budget Committee.

The Association derives income primarily from membership fees. As a non-profit making organisation, it invests surplus income to fund future operations. Security of capital, represented by voluntary retained earnings, has the highest priority within the investment policy, to ensure that the Association can continue as a going concern to support its activities for the foreseeable future.

As at 31 December 2016 the IAIS's investment in financial assets comprised banks current and deposit accounts.

Liquidity risk

The Association holds sufficient liquid funds to ensure that it is able to meet its liabilities as they fall due.

Foreign currency risk

The revenue and expenditure of the Association are predominantly received and paid in Swiss francs. To minimise the exposure of investments to foreign currency risk, investments are held in Swiss franc-denominated financial assets. The Association's cash and cash equivalents are also held in Swiss francs.

Credit Risk

The major source of funding for the Association is fees from Members. Members represent insurance regulators and supervisors from over 200 jurisdictions in more than 140 countries. Due to the nature of the Association's activities and broad membership, credit risk is considered to be low.

18. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events between the balance sheet and the approval of these financial statement by the IAIS Executive Committee on 2 June 2017 which could impact the book value of assets and liabilities or which should be disclosed in these financial statements.

EXECUTIVE COMMITTEE MEMBERS

APPENDIX I
EXECUTIVE COMMITTEE MEMBERS
AS OF OCTOBER 2017

Victoria Saporta
United Kingdom
Prudential Regulation Authority
Chair

Hiroshi Ota
Japan
Financial Services Agency
Vice Chair

Julie Mix McPeak
USA, Tennessee
Department of Commerce & Insurance
Vice Chair

Ebrahim Obaid Al Zaabi
United Arab Emirates
Insurance Authority / United Arab Emirates

Gabriel Bernardino
EIOPA
European Insurance and Occupational
Pensions Authority

Hassan Boubrik
Morocco
Supervisory Authority of Insurance
and Social Welfare

Peter Braumüller (ex officio)
Austria
Financial Market Authority
Chair, Budget Committee

Wen Hui Chen
China
China Insurance Regulatory Commission

Bernard Dupont
Canada
Office of the Superintendent of Financial
Institutions

Michele Fields
Bahamas
The Insurance Commission of
The Bahamas

Peter Giger
Switzerland
Swiss Financial Market Supervisory
Authority

Frank Grund
Germany
German Federal Financial Supervisory
Authority (BaFin)

Hern Shin Ho
Singapore
Monetary Authority of Singapore

Carlos Izaguirre
Peru
Superintendence of Banking, Insurance
and Private Pension Fund Administrators
Insurance (SBS) Peru

Damian Jaworski
Poland
Financial Supervision Authority

Taeguk Jin
Korea (Republic of)
Financial Supervisory Service

Sandrine Lémery
France
Prudential Supervision and Resolution
Authority

Elise Liebers (ex officio)
USA
National Association of Insurance
Commissioners
Acting Chair, Financial Stability and
Technical Committee

William Mason
Guernsey
Financial Services Commission
Chair, Audit and Risk Committee

Ted Nickel
USA, Visconsin
Office of the Commissioner
of Insurance

Norma Alicia Rosas Rodriguez
Mexico
Insurance and Surety National
Commission (CNSF)

Ekrem Sarper (ex officio)
USA
National Association of Insurance
Commissioners
Acting Chair, Implementation Committee

Thomas Sullivan (non-voting)
USA
Federal Reserve Board

Goeff Summerhayes
Australia
Australian Prudential Regulation Authority

Carlos Pavez Tolosa
Chile
Superintendence of Securities and
Insurance (SVS)

Dube Tshidi
South Africa
Financial Services Board

T S Vijayan
India
Insurance Regulatory and
Development Authority

Katherine Wade
USA, Connecticut
Connecticut Department of Insurance

IAIS SECRETARIAT STAFF

APPENDIX II
SECRETERIAT STAFF
AS OF OCTOBER 2017

Yoshihiro Kawai
Secretary General

Jonathan Dixon
Secretary General-designate

Catherine Lezon
Deputy Secretary General

Romain Paserot
Deputy Secretary General /
Head of Capital and Solvency

Anna Aubel
Administrative Officer

Peter van den Broeke
Member of the Secretariat

Joao Carneiro
Finance Officer

Mark Causevic
Member of the Secretariat

Peter Cooke
Member of the Secretariat

Rogier Derksen
Member of the Secretariat

Conor Donaldson
Member of the Secretariat /
Manager, Implementation

Becky Easland
Member of the Secretariat

Sylvie Ellet
Administrative Officer

Jules Gribble
Member of the Secretariat

Daisuke Hirose*
(Financial Services Agency, Japan)
Member of the Secretariat

Stephen Hogge
Member of the Secretariat /
Communications

Yukiko Kamegawa*
(Financial Services Agency, Japan)
Member of the Secretariat

Anastasia Kartasheva
Member of the Secretariat and Economic
Advisor

Kyuri Kim*
(Financial Supervisory Service,
Republic of Korea)
Member of the Secretariat

Grzegorz Komarnicki
Member of the Secretariat

Lance Leatherbarrow
Member of the Secretariat

Carole Lin*
(Financial Supervisory Commission,
Chinese Taipei)
Member of the Secretariat

Jia Yun Loo*
(Monetary Authority of Singapore)
Member of the Secretariat

Bernhard Mayr
Member of the Secretariat

Carine Notter* (BIS)
Technical Administrator

Danita Pattemore
Member of the Secretariat

Andrei Radu
Member of the Secretariat

Gemma Schneider
Administrative Officer

Alka Sharma
Administrative Officer

Tomas Stastny
Member of the Secretariat

Andrew R. Stolfi
Member of the Secretariat /
Chief Counsel

Xiaowu Sun*
(China Insurance Regulatory
Commission)
Member of the Secretariat

Hanne van Voorden
Member of the Secretariat

Pierre-Jean Vouette
Member of the Secretariat

Peter Windsor
Member of Secretariat

Staff not financed by the IAIS
indicated by an asterisk (*)

IAIS ORGANISATIONAL STRUCTURE

APPENDIX III
ORGANISATIONAL STRUCTURE
UPDATED MARCH 2016