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Public background session on draft revised ICPs 8,
15 and 16 and the ComFrame material integrated
with those ICPs

Public discussion session on the Application Paper
on Group Corporate Governance

22 November 2017



Agenda

- General information
- Question & answer session
- Draft revised ICPs 15 and 16 and the ComFrame material integrated with ICPs 15 and 16 and proposed definitions of ERM-related terms
- Question & answer session
- Draft revised ICP 8 and the additional ComFrame material integrated with ICP 8
- Question & answer session
- Application Paper on Group Corporate Governance
- Question & answer session

Background information

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



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Comments/Questions?



ICP 15 & ICP 16 COMFRAME MATERIAL INTEGRATED WITH ICP 15 & ICP 16 PROPOSED DEFINITIONS OF ERM-RELATED TERMS

Paolo Cadoni, Chair of the Capital, Solvency and Field Testing Working Group

Ramon Calderon, Leader of the ICP 15 & 16 Review Work Stream

Revision of ICPs 15 & 16

- Revisions built on the current ICPs 15 (Investment) & 16 (Enterprise Risk Management for Solvency Purposes) which were last revised in October 2011
- Considered feedback received from Self Assessment and Peer Review
- Aimed to ensure consistency and remove overlaps and duplication between ICP 8 (Risk Management and Internal Controls) and ICP 16
- Material related to risk management in general moved from ICP 16 to ICP 8, while the specifics of ERM framework for solvency purposes are addressed in ICP 16:
 - Risk identification
 - Quantitative techniques to measure risk
 - Inter-relationship of risk appetite, risk limits and capital adequacy
 - Risk appetite statement
 - Asset-liability management, investment and underwriting policies
 - Own risk and solvency assessment (ORSA)
- Comparison of Standards in current and revised ICP 16 provided as a reference document for the public consultation
- Proposed definitions of ERM-related terms

ComFrame material in ICPs 15 & 16

- Follows the thematic approach adopted by the IAIS in September 2015
- Integration of ComFrame M2E3 (ERM) and M2E4 (group-wide ERM policies) (2014 version) with ICPs 15 & 16
- Considered feedback received from ComFrame Qualitative Field Testing
- Questions on the topics of actuarial policy and the interaction between the Insurance Capital Standard (ICS) and ERM / ORSA



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ICP 8 AND THE ADDITIONAL COMFRAME MATERIAL INTEGRATED WITH ICP 8

Annick Teubner, Chair of the Governance Working Group

Suyash Paliwal, Leader of the ICP 8 Review Drafting Team

Revision of ICP 8 and ComFrame in ICP 8 (1)

- ICP 8 already revised in 2015 together with other governance-related ICPs.
- Aims of current revision: to ensure consistency and remove overlaps between ICP 8 and ICP 16.
- Only revised parts of ICP 8 released for consultation (in track changes in the redline version).
- The ComFrame material integrated with ICP 8 published for consultation in March 2017:
 - Not open for additional consultation at this stage;
 - Still under review based on comments received during that consultation.

Revision of ICP 8 and ComFrame in ICP 8 (2)

- Main changes in ICP 8
 - Standard ICP 8.1 capturing the outcome-focused content of material removed from ICP 16 (ICP 16.2, 16.3, 16.8 (2nd and 3rd bullets), 16.9 and 16.10:
 - ✓ requirement to document a risk management system;
 - ✓ a risk management strategy, defining the insurer's risk appetite;
 - ✓ a risk management policy;
 - ✓ the ability to respond to changes in the insurer's profile.
 - Additional explanations provided in new guidance material.
- Additional ComFrame material in ICP 8:
 - Related to the ICP text moved from ICP 16 to ICP 8.
 - Concerning mainly the following issues:
 - ✓ documentation of differences in risk management across the IAIG;
 - ✓ reviewing the risk management system to reflect changes within the IAIG;
 - ✓ additional elements of the overview of the IAIG's actuarial activities.



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APPLICATION PAPER ON GROUP CORPORATE GOVERNANCE

Annick Teubner, Chair of the Governance Working Group

Background information

- Follow up on the IAIS Issues Paper on Group Corporate Governance, Impact on Control Functions (October 2014).
- Public consultation (3 March – 2 May 2017):
 - 14 participants (3 IAIS Members, 11 Stakeholders);
 - 238 comments.
- The aim of the Application Paper is to provide:
 - good practices and examples
 - a common understanding
on supervision of a group's governance.
- Distinction between more centralised and more decentralised governance models where possible.
- Broad range of areas related to group corporate governance covered.

Main comments and their resolution

1. Different governance structures and approaches

- A. Application to IAGs only; supervisory practices for a centralised approach; recognition of “group interest”;
Response: the paper does not advocate for any particular approach, good governance achievable regardless of a particular governance structure applied.

2. Application Paper sets new requirements to insurers

- A. “Should” suggests a requirement.
Response: “should” does not indicate requirement; wording clarified where necessary.
- B. Is the paper addressed to supervisors or also to insurers?
Response: the paper is addressed only to supervisors.

3. Responsibilities of the group-wide supervisor and other involved supervisors

- A. Supervisory involvement in managing the insurer.
Response: highlighted the Board’s responsibility to run the insurer.
- B. Unclear split of responsibilities between the group-wide supervisor and other involved supervisors.
Response: clarified tasks of the group-wide supervisor and the other involved supervisors.

4. Comments on particular wording

- A. Response: a lot of comments taken on board, but without decreasing the level of expectations as regards efficient supervision of group corporate governance.



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