

Newsletter

June 2018

Issue 77



In this Issue

Calendar Notes	1
In Focus	2
News Updates	3
Stakeholder Engagement	4
Meetings and Events	4
Seminars and Training	4
Appointments of Chairs and Vice-Chairs	6
Committee and Subcommittee Activities	6
A2ii Report	10

Calendar Notes

There is Still Time to Register for the July Committee Meetings and Global Seminar



Registration is continuing for Members for the IAIS committee meetings from 23-25 July and for both Members and stakeholders for the 11th Annual IAIS Global Seminar from 26-27 July in Moscow, Russia. To register:

- For IAIS Members, click [here](#).
- For stakeholders/general public, click [here](#).

From the Secretary General

One of the great privileges of my first six months in office has been the opportunity to participate in various Member and stakeholder forums, in different regions of the world, where issues of global insurance regulation and supervision have been discussed.



There have been some common themes. The greatest demand coming from our Members has been for guidance on proactive supervisory practices that present a robust response to a fast changing environment – in particular, on FinTech and cyber security risks. These are issues that impact supervisors from both developed and developing jurisdictions. They are also cross-sectoral issues, even beyond the financial sector, making cooperation between standard-setting bodies essential to avoid overlap while ensuring appropriate coverage. The demand is less about setting new standards and more about understanding how to apply existing standards through supervisory practices that appropriately help monitor and respond to these new circumstances.

Industry stakeholders are grappling with many of the same issues. There is potential for more collaboration on these topics.

We have undertaken some important work on emerging topics like Fintech and cyber risk, but more can and will be done. Supervisory guidance on market conduct and financial inclusion aspects of Fintech, and supervision of cyber resilience of insurers, is forthcoming this year. We are also putting in place a FinTech Forum for the exchange of ideas and lessons among supervisory experts, helping to inform a more agile response. I look forward to sharing more on these developments in future forums.

Jonathan Dixon, Secretary General



For more information or to subscribe to the newsletter and e-mail alerts, please visit www.iaisweb.org. Comments and suggestions are always welcome.

In Focus...**IAIS Releases Issues Paper on Index-based Insurances Particularly in Inclusive Insurance Markets**

The IAIS has published the *Issues Paper on Index-based Insurances Particularly in Inclusive Insurance Markets*. Index-based insurances are insurance contracts in which a claim is defined with reference to a pre-determined index (sometimes also referred to as parametric insurance).

Since index-based insurances are increasingly looked to as a means to manage weather and catastrophic events, support food security and enhance access to insurance, this Issues Paper provides background on this product, describes practices and actual examples and identifies related regulatory and supervisory issues and challenges.

The main focus of the paper is on weather-related or natural catastrophe event risks. These insurances sometimes focus on agriculture and at other times on protection from natural catastrophes. There have also been cases where the index is focused on other measures such as a proxy to political instability or economic adversity risks. Similar products may also target catastrophic health or life insurance covers such as pandemics. This paper does not exclude these insurances from the scope. However, it does not address products where the index is solely a function of capital markets, asset prices or other economic measures, or where pay-outs are determined by the value of underlying assets in an investment portfolio. It also does not address products that are based on an index related to mortality rates particularly directed at long-term longevity risk.

Index-based insurances generally enable a reduction in underwriting and claim assessment costs. They also allow for a faster and more objective claims settlement process.

"Index based insurances are insurance contracts in which a claim is defined with reference to a pre-determined index (sometimes also referred to as parametric insurance)".

--IAIS Issues Paper on Index-based Insurances

These features reduce the barriers to providing effective and affordable insurance, particularly for lower income groups that tend to be more vulnerable to adverse events. Improved access to insurance can directly and indirectly enhance livelihoods, reduce poverty and create opportunities for economic advancement. Regarding agriculture, in particular, the provision of effective insurance is also seen as a way to facilitate a more productive agricultural sector.

The paper addresses various issues typical to index-based products such as:

- The way the product is designed as a micro, meso and macro scheme which affects the role of the policyholder and expectations of the end customer;
- The roles of various stakeholders; in particular, those not usually seen in conventional insurance such as government agencies and, for example, ministries of agriculture, agencies involved in data and statistics and donors and sponsors;
- Legal certainty, insurable interest and the nature of the product as insurance; and
- Issues relating to consumer protection including the development of the product and importance of proper consideration of basis risk, setting a sound and credible index and the role of subsidies. A more elaborate discussion of basis risk is included in a separate annex in the paper.

Although the nature of index-based insurance products as insurance may differ across jurisdictions, it is important that these insurances (developed to advance access to insurance) are part of the formal insurance sector and the insurance supervisory framework to allow proper consumer protection. Whether or not an index-based insurance product needs to be licensed may differ according to its nature as a micro, meso or macro scheme.

The paper includes a separate section on pilot schemes. It describes various types of pilots and the development towards maturity and attention points during each stage including proper exit strategies. Attention is also paid to supervisory considerations; for example, with respect to licensing pilot schemes, product design, as well as more generally creating an enabling regulatory and supervisory environment.

The Issues Paper is available on the IAIS public website by clicking [here](#).

News Updates

See You at the Global Seminar

Next month, on 26-27 July, the IAIS along with stakeholders and others, will gather in Moscow, Russia for the 11th Annual IAIS Global Seminar. A compelling set of panel topics are on the agenda, as well as presentations on a supervisory response to cyber risk. The programme reflects the IAIS emphasis on completing its part of the post-crisis reform agenda, responding to emerging risks in the global insurance marketplace and pivoting towards implementation.

Day One will feature panel sessions on ComFrame, including the Insurance Capital Standard (ICS); the IAIS systemic risk framework, including work on an activities-based approach to systemic risk assessment; and insurance in support of inclusive economic development. The Executive Committee will also hold its annual stakeholder dialogue. This two-hour exchange is always a highlight of the Global Seminar, with the Executive Committee and stakeholders discussing stakeholder questions in both a panel and audience question and answer format.

Day Two will turn to emerging risks by focusing on climate change and cyber risk, while also discussing the use of innovation facilities such as sandboxes as a regulatory tool.

Register today and be part of the dialogue:

- For IAIS Members, click [here](#).
 - For stakeholders/general public, click [here](#).
-

Updated Committee and Subcommittee Membership Rosters Now Available

The updated roster of IAIS committee and subcommittee members is now available on the IAIS website by clicking [here](#). The IAIS organisational structure as well as the Secretariat structure are also available on the IAIS website.

Stakeholder Engagement

Stakeholder Meeting on Recovery Planning and Resolution Planned for September

On 12 September in Basel, the IAIS will hold a stakeholder meeting on recovery planning and resolution. The meeting will provide Members and stakeholders with the opportunity to discuss revisions to supervisory material on recovery planning and the ComFrame material integrated into Insurance Core Principle (ICP) 12 (as revised, Exit from the Market and Resolution). There will also be an opportunity for stakeholders to provide inputs for the development of an *Application Paper on Recovery Planning*. Updates will follow in future editions of the Newsletter as additional information becomes available.

Meetings and Events

Upcoming IAIS Meetings: July – August 2018

All of the following IAIS meetings will be held in Basel unless otherwise noted. Members should visit the IAIS website at www.iaisweb.org for more information on a specific meeting and to confirm dates and locations.

Date	Group
9-11 July	G-SII Analysts Working Group
12-13 July	Systemic Risk Assessment Drafting Group
12-13 July	Strategic Planning and Financial Outlook Task Force (London)
23-25 July	IAIS Parent Committee Meetings (Moscow)
26-27 July	IAIS Global Seminar (Moscow)
20-24 August	G-SII Analysts Working Group

Stakeholder Meetings

For information about any planned stakeholder meetings, please visit the Stakeholder Meetings page of the IAIS website by clicking [here](#).

Seminars and Training

Recent: IAIS, Toronto Centre, A2ii & ACAPS, 18-22 June, Rabat, Morocco

Co-organised by the IAIS, Toronto Centre and Access to Insurance Initiative (A2ii), and hosted by the Morocco Supervisory Authority for Insurance and Social Security (ACAPS), this regional seminar explored the ways in which sound supervisory principles can be applied in a manner that encourages the development of an inclusive insurance market, the importance of innovation in promoting inclusive insurance markets and prudential and market conduct principles that apply to the oversight of inclusive insurance markets.

Regional Seminar for Insurance Supervisors in Latin America on Assessing, Managing and Mitigating Risks, 29-31 May, Montevideo, Uruguay

This regional seminar provided an opportunity for insurance supervisors to explore the practical regulatory and supervisory issues surrounding the implementation of global prudential standards, especially based on assessing, managing and mitigating insurance risks. It was designed as a highly practical and interactive training session on top insurance issues, including sessions featuring examples, group discussions and exercises. Among the topics covered were IAIS standard-setting activities, enterprise risk management for solvency purposes and the role of the own risk and solvency assessment (ORSA), emerging risks and macroprudential surveillance, reinsurance and other risks transfers and a case study on enterprise risk management and ORSA.

Co-organised by the IAIS, Financial Stability Institute and the Association of Latin American Insurance Supervisors (ASSAL), the seminar was hosted by the Superintendence of Financial Services of Uruguay.

Committee and Subcommittee Activities

Committee Activities

Appointments of Chairs and Vice Chairs

The Selection Committee has recently made the following appointments:

- Harald Eschmann (BaFin) as Vice Chair of the Standards Assessment Working Group;
- François Tempé (ACPR) as Vice Chair of the Resolution Working Group; and
- Garrett Byrne (BMA) as Vice Chair of the Financial Crime Task Force.

Executive Committee

Dr. Subhas C. Khuntia, Chairman, Insurance Regulatory and Development Authority of India, replaced T.S. Vijayan as an Executive Committee member representing the Asia region.

The Executive Committee met via teleconference on 16 May and approved a document providing a progress report on the development of the IAIS Holistic Framework for the Mitigation of Systemic Risk, which was sent to Financial Stability Board Standing Committee on Supervisory and Regulatory Cooperation for its meeting on 24 May.

On 25 May, the Executive Committee approved the *Issues Paper on Index Based Insurances particularly in Inclusive Insurance Markets* (see related article on [p 2](#) of this edition of the Newsletter).

Secretariat Support:
peter.vandenbroeke@bis.org

Policy Development Committee

The Policy Development Committee met via teleconference on 13 June. The main items discussed were the following:

- Draft *Application Paper on the Composition and the Role of the Board*;
- Draft *Application Paper on Supervision of Insurer Cybersecurity*;
- Draft revised ICP 6 (Changes in Control and Portfolio Transfer) and ICP 20 (Public Disclosure); and
- Key issues for ICS Version 2.0.

Secretariat Support:
yukiko.kamegawa@bis.org

Subcommittee Activities

Accounting and Auditing Working Group

The Accounting and Auditing Working Group next meets on 12-13 September in Basel.

Secretariat Support: mark.causevic@bis.org

Capital, Solvency and Field Testing Working Group

The Capital, Solvency and Field Testing Working Group (CSFWG) met the week of 22-25 May to discuss the ICS Version 2.0 consultation document. The consultation will be launched this summer for a three-month consultation period. The CSFWG also met in Washington, DC on 18-22 June to finalise the draft ICS Version 2.0 consultation document.

The CSFWG held field testing launch workshops on 25 May in Basel, 6 June in Tokyo, and 20 June in Washington, DC to provide technical guidance on completing the Field Testing Template and answer questions from Volunteer Groups. A Question and Answer process has also been put in place, as in prior years, to support field testing.

On 1 June, the Aggregation Method additional data collection was launched with participating Volunteer Groups. Data submissions are due 31 August. A Volunteer Workshop for the Aggregation Method data collection was held on 21 June in Washington, DC.

The CSFWG continues to work on revisions to ICP 15 (Investment) and ICP 16 (Enterprise Risk Management for Solvency Purposes) and integrated ComFrame as a result of the consultation in November 2017. The revised ComFrame material will be part of the overall ComFrame consultation that will be released this summer.

Secretariat Support: romain.paserot@bis.org and danita.pattemore@bis.org

Core Curriculum Task Force

Phase 1 of the Core Curriculum project is proceeding on schedule. Over 105 individuals from over 40 jurisdictions have volunteered and contributed to the project. As the project moves into Phase 2, additional volunteers are welcome and can add value and breadth with increased diversity of experience and perspective.

Nearly 50% of the 37 Phase 1 modules and the major case study are now completed. Over 20 Phase 2 modules are also in progress, reflecting enhancements from Phase 1 reviews and addressing some additional topics. The webpage on the public IAIS website will be updated for the Phase 1 launch.

Secretariat Support: jules.gribble@bis.org

Financial Crime Task Force

The Financial Crime Task Force met on 22-23 May in Basel. The main items discussed were the following:

- Developing an *Application Paper on Supervision of Insurer Cybersecurity*; and
- IAIS collaboration as an Observer Organization with the Financial Action Task Force.

In furtherance of its work, the Task Force heard a presentation on the topic of cyber risk to the insurance sector.

Secretariat Support: yukiko.kamegawa@bis.org and lance.leatherbarrow@bis.org

Financial Inclusion Working Group

The Financial Inclusion Working Group continued to progress the *Issues Paper on Index Based Insurances particularly in Inclusive Insurance Markets*. The Working Group discussed the comments received in the public consultation and submitted the final paper to the Implementation and Assessment Committee and subsequently to the Executive Committee for approval.

The Working Group also continued to develop the *Application Paper on the Use of Digital Technology in Inclusive Insurance*.

Secretariat Support:
peter.vandenbroeke@bis.org

Governance Working Group

At its meeting on 12-13 June, the Governance Working Group discussed the ComFrame material related to governance (integrated into ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance) and ICP 8 (Risk Management and Internal Controls), in preparation for the public consultation of the overall ComFrame planned for August.

The Working Group continued work on the revision of ICP 8 and the draft *Application Paper on Proactive Supervision of Governance*.

Secretariat Support:
grzegorz.komarnicki@bis.org

Insurance Groups Working Group

At its meeting on 14-15 June, the Insurance Groups Working Group discussed the ComFrame material integrated into the following ICPs:

- ICP 9 (Supervisory Review and Reporting);
- ICP 10 (Preventive and Corrective Measures);

- ICP 23 (Group-wide Supervision); and
- ICP 25 (Supervisory Cooperation and Coordination).

In particular, the Working Group continued discussions on ComFrame material related to IAIG identification criteria for internationally active insurance groups (IAIGs) and identification of the Head of the IAIG. The Working Group also continued work on changes reflecting the Kuala Lumpur Agreement on the implementation of ICS Version 2.0.

Secretariat Support:
grzegorz.komarnicki@bis.org

Macroprudential Policy and Surveillance Working Group

On 7-8 June, the Macroprudential Policy and Surveillance Working Group met in Hamilton, Bermuda. The main focus of the meeting was on the following three items: ICP 24 (Macroprudential Surveillance and Insurance Supervision), topics for the 2018 Global Insurance Market Report and the Key Insurance Risks and Trends survey. Survey results will be presented to the Macroprudential Committee at its July meeting in Moscow.

Secretariat Support: bernhard.mayr@bis.org

Market Conduct Working Group

The Market Conduct Working Group continued to progress the draft *Issues Paper on the Increasing Use of Digital Technology in Insurance and its Impact on Consumer Outcomes*.

Secretariat Support:
peter.vandenbroeke@bis.org

Supervisory Material Review Task Force

The Supervisory Material Review Task Force met in New York on 29-30 May. The Task Force finalised the draft revised ICP 6 for approval by the Policy Development Committee and Executive Committee for public consultation. The Task Force also reviewed the overall ComFrame material, planned for consultation in August, from an editorial, consistency and formatting perspective.

Secretariat Support:

hanne.vanvoorden@bis.org

Systemic Risk Assessment Drafting Group

The Systemic Risk Assessment Drafting Group met in Washington, DC, on 13-15 June. The Drafting Group made progress on the IAIS Systemic Risk Assessment and Policy Workplan, as announced in February 2017.

Secretariat Support: bernhard.mayr@bis.org

Access to Insurance Initiative (A2ii) Report



The Access to Insurance Initiative (A2ii) is a unique global partnership which inspires and supports insurance supervisors in promoting access to insurance for underserved and low-income populations. It is the IAIS implementation partner on financial inclusion.

Recent Events

IAIS-A2ii Consultation Call on Ratios and Cost Structures in Insurance Supervision 24 May – Webinar



We were very happy to see a record number of participants for this consultation call.

When licensing and supervising insurance products, supervisors must make judgments on the soundness, sustainability and ethics of the proposed products. This is particularly the case when products are designed as part of an initiative for increased financial inclusion, as these underserved segments often contain economically and socially vulnerable consumers with low familiarity with insurance products. This consultation call explored some of the approaches in evaluating this, the ratios involved (eg loss ratio, claims ratio, renewal ratio, and others) and some concrete examples of the considerations that come into play.

For supervisors unable to attend, a recording of the expert presentation is available on demand by messaging consultation.call@a2ii.org. A written summary of the call will soon be available on the A2ii website ([link](#)).

The signing of the SUSEP–GIZ–A2ii Memorandum of Understanding

On 17 May, the Brazilian Superintendence of Private Insurance (SUSEP), GIZ and A2ii formalized the cooperation agreement. The SUSEP will host the A2ii regional hub for Latin America in its headquarter building in Rio de Janeiro. The agreement is intended to strengthen the foundations of the regional hub as well as demonstrate the on-going commitment of the A2ii and SUSEP to work together in promoting financial inclusion and strengthening supervisory capacity building in the region. The A2ii regional office for Latin America has been in operation since October 2017 following the arrival of Regina Simoes, A2ii Latin America Regional Coordinator.



Sustainable Insurance Forum meeting, 16 May 2019, Rio de Janeiro, Brazil

The A2ii participated in this 4th meeting of the Sustainable Insurance Forum (SIF). Supervisors from 15 different jurisdictions participated. Launched in December 2016 with the aim of bringing insurance supervisors together to tackle issues of common concern with respect to sustainable development, its primary focus has been on climate change issues. The SIF is working with the IAIS on a joint IAIS-SIF [Issues Paper on Climate Change Risks to the Insurance Sector](#).

At the Rio meeting, supervisors worked together on several new tracks of work, including the development of tools and training materials on sustainability issues to help supervisors raise these issues in their ongoing

engagements with firms. In addition, the Sustainable Insurance Forum agreed to develop a guidance document on ways insurance supervisors can leverage their strengths to encourage the development of sustainable insurance markets and support broader strategic efforts to promote sustainable finance across banking, investment, and capital markets. The A2ii also presented at the meeting, sharing its experiences in conducting capacity building activities with supervisors.

Upcoming Events

Save the Date: IAIS-A2ii Consultation Call on Supervisory Responses to Fraud, 19 July – Webinar

The IAIS-A2ii consultation calls are topic-focused webinars (via WebEx) for insurance supervisors.

Impact Insurance Academy, 10-14 September, Turin, Italy

The International Labour Organisation's (ILO) Impact Insurance Facility, the International Training Centre of the ILO and partners including the A2ii, are excited to announce the first Impact Insurance Academy.

The one-week Academy will take place at the International Training Centre of the ILO in Turin, Italy, from 10-14 September and combine plenary discussions with elective workshops, peer-assist sessions, real case studies and networking opportunities to offer an inspiring and dynamic learning environment. The A2ii will be running afternoon breakout sessions on inclusive insurance regulation and supervision.

Recent Publications

[Regulating mobile insurance – insurance business via mobile phones: regulatory challenges and emerging approaches](#)

Despite its significant potential, there has been little regulatory and supervisory guidance on m-insurance. The A2ii commissioned this study in order to address the gap and contribute to the preparation of an IAIS *Application Paper on the*

Use of Digital Technology in Inclusive Insurance. Specifically, this study aimed to: explore existing supervisory approaches; provide insights on how to manage the supervisory risks and challenges associated with mobile insurance business models; and highlight areas for future further research and consideration.

[Initial Findings Note on the role of insurance regulators in dealing with consumer data protection risks](#)

The aim of this new A2ii study is to unpack and define different data-related risks within inclusive insurance and explore the consumer protection issues that can arise as a result. The note is based on desk research with insurance supervisors from different regions on their experiences and approaches. It provides practical insights to help guide supervisors on how to deal with these emerging risks. This note should be considered the initial findings of the research team. They will be augmented and adjusted through additional research and interviews and published as part of a comprehensive report later this year.

[InsurTech promise for microinsurance – rising to the regulatory challenge](#)

InsurTech has the potential to reach more people, empower and engage emerging customers, improve service delivery and, ultimately, enhance client value. But it could also lead to financial exclusion, erosion of trust and even harm the reputation of the insurance industry, if not properly regulated. Industry experts and insurance supervisors met at the 13th Consultative Forum in Accra, Ghana, to identify some of the challenges and opportunities presented by InsurTech and to discuss how different stakeholders can work together to facilitate innovation, consumer protection and market development. This article summarises the main takeaways of the 13th Consultative Forum on Mobile Insurance and InsurTech.

About the IAIS

The International Association of Insurance Supervisors (IAIS) is a voluntary membership organisation of insurance supervisors and regulators from more than 200 jurisdictions. The mission of the IAIS is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability.

Established in 1994, the IAIS is the international standard setting body responsible for developing principles, standards and other supporting material for the supervision of the insurance sector and assisting in their implementation. The IAIS also provides a forum for Members to share their experiences and understanding of insurance supervision and insurance markets.

The IAIS coordinates its work with other international financial policymakers and associations of supervisors or regulators, and assists in shaping financial systems globally. In particular, the IAIS is a member of the Financial Stability Board (FSB), member of the Standards Advisory Council of the International Accounting Standards Board (IASB) and partner in the Access to Insurance Initiative (A2ii). In recognition of its collective expertise, the IAIS also is routinely called upon by the G20 leaders and other international standard-setting bodies for input on insurance issues as well as on issues related to the regulation and supervision of the global financial sector.

International Association of Insurance Supervisors
c/o Bank for International Settlements
CH-4002 Basel
Switzerland

Tel: +41 61 280 80 90
Fax: +41 61 280 91 51

www.iaisweb.org

The publication is available free of charge on the IAIS website (www.iaisweb.org).

© International Association of Insurance Supervisors 2018. All rights reserved. Brief excerpts may be reproduced or translated provided the source is stated.