



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

IAIS Major Projects Update

Macroprudential Committee

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Overview of work of the MPC

Systemic Risk Workplan:

- the development of a holistic systemic risk framework

Ongoing macroprudential monitoring and assessment:

- Annual G-SII Assessment Exercise
- Macroprudential surveillance

Introduction

Systemic Risk Workplan

- In February 2017, the IAIS announced a work plan to develop a holistic framework for assessing and mitigating systemic risk in the insurance sector at the global level, including three work streams:
 - Development of an Activities-Based Approach to mitigate systemic risk in insurance through the identification, and (further) development as needed, of relevant macroprudential policy measures
 - Addressing cross-sectoral aspects in systemic risk assessment
 - Revising the Entities-Based Approach, namely the Global Systemically Important Insurers (G-SII) assessment methodology
- In December 2017, the IAIS launched an interim consultation, focusing on the first work stream only.
- In November, the IAIS will launch a next consultation document, which will bring all these strands of work together and propose a holistic framework.

Holistic Framework

Key characteristics (1)

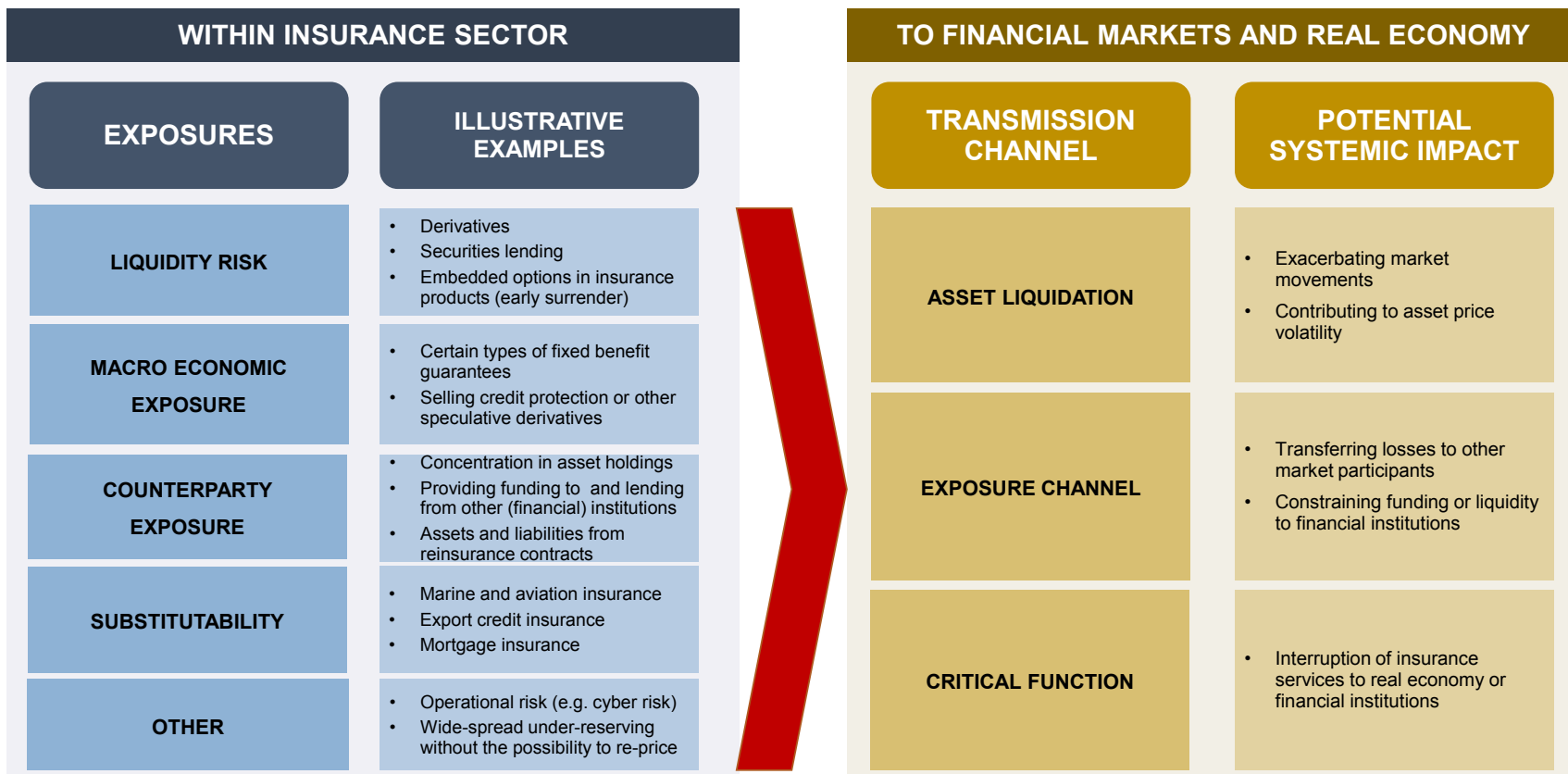
- With the holistic framework, the IAIS proposes to evolve its current approach to systemic risk, by:
 - Taking into account both the EBA and the ABA, the first focusing on the propagation of risk through the failure or distress of an individual insurer, the second stemming from collective risk exposures or activities
 - Addressing cross-sectoral aspects of systemic risk, by comparing the potential systemic risk of insurers with other parts of the financial system, notably the banking sector
 - Introducing a proportionate application of an enhanced set of policy measures for macroprudential purposes, targeted to a broader portion of the insurance sector

Holistic Framework

Key characteristics (2)

- Aim of the framework is to be able to **prevent** systemic risk from materialising, **identify** the build-up of potential systemic risks and, lastly, to **mitigate** these risks should they materialise anyway.
- Some of the key elements of the holistic framework are:
 - **An enhanced set of supervisory policy measures** for macroprudential purposes
 - **A global monitoring exercise by the IAIS** designed to detect the possible build-up of systemic risk in the global insurance sector
 - Where a potential systemic risk is detected, **supervisory powers of intervention** that enable a prompt and appropriate response
 - **Implementation assessment** and mechanisms to help ensure the global consistent application of the framework

Sources of systemic risk



Supervisory policy measures

Introduction

The policy measures are grouped into two categories:

- On-going supervisory policy measures:
 - Macroprudential surveillance by supervisors;
 - Requirements on insurers; and
 - Crisis management and planning.
 - Powers of intervention for supervisors.
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- Some of the policy measures will be explicitly targeted at a certain identified potential systemic risk, other will have a broader application to assess and/or mitigate potential systemic risks.
 - The policy measures will be integrated in the IAIS supervisory and supporting material (ICPs, ComFrame, Application Papers)

Global Monitoring exercise

Feedback loop between global and jurisdictional monitoring

- The global monitoring exercise is a central element of the holistic framework. It consists of:
 - An annual data collection from individual insurers building on the current G-SII collection template but based on an updated Assessment Methodology
 - A less granular data collection from supervisors that supports the annual assessment of sector-wide trends with regard to specific activities and exposures
 - Data analysis by the IAIS to assess any potential systemic risk stemming from a sector-wide or individual insurer level, taking into account general financial market developments



Implementation Assessment

- Robust implementation assessment can be seen as the final step in a mutually reinforcing cycle of activities that consists of monitoring, standard setting and implementation assessment.
- A transparent process of implementation assessment will thus help ensure a globally consistent application of macroprudential policy measures.
- In practice, these activities will build on existing implementation assessment methods for international supervisory material such as the IAIS Peer Review Process (successor of the Self-Assessment and Peer Review).

Next steps and timeline

Date	Milestones / activities
November 2018	• Publication of consultation document on the holistic framework • Public Background session – via Teleconference
January 2019	Feedback on consultation document due
June 2019	• Publication of resolution of comments on Section 3 of the November 2018 consultation; and • Publication of consultation document on further revised ICPs/ComFrame
November 2019	Publication of resolution of comments on the complete November 2018 consultation Adoption by the Annual General Meeting of: • Holistic framework; and • Revised ICPs and ComFrame
2020	• Revised systemic risk assessment methodology to be applied; and • Implementation of revised ICPs and ComFrame
November 2022	Review of the holistic framework