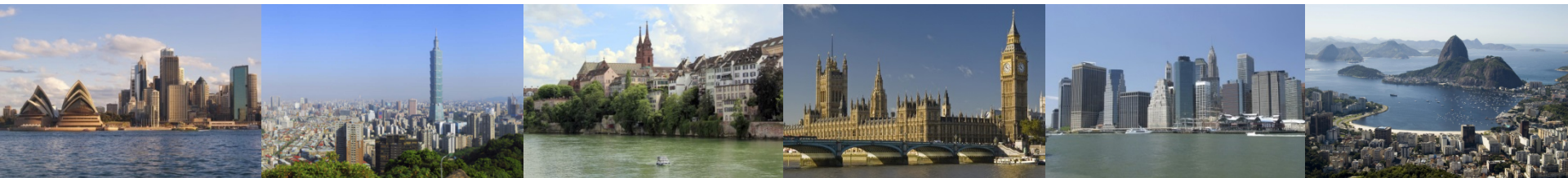


# IAIS Public Background session on Revised Supervisory Material related to the Holistic Framework for Systemic Risk in the Insurance Sector

Alberto Corinti, Chair of the Macroprudential Committee  
2 July 2019, Teleconference



# Contents

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- **Development of the holistic framework**
- **Public background session** on revisions to IAIS supervisory material released for public consultation (with comments due by 15 August)
- **Next steps**

**Note:** A public background session on the outcome of the 2018 public consultation on ComFrame and on related revisions to ICPs and ComFrame was held separately on 28 June 2019. Material for that session can be found on the IAIS website.

# DEVELOPMENT OF THE HOLISTIC FRAMEWORK

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# Development of the Holistic Framework

## Timeline

2017

**February:**  
Announcement of the IAIS Systemic Risk Assessment & Policy Workplan

2018

**December:**  
Release of interim public consultation on Activity Based Approach

**February:**  
Stakeholder event

**November:**  
Release of public consultation document on the Holistic Framework for Systemic Risk in the Insurance Sector

2019

**January:**  
Stakeholder event

**Mid-June -> mid-August:**  
Public consultation revised ICPs and ComFrame related to Holistic Framework

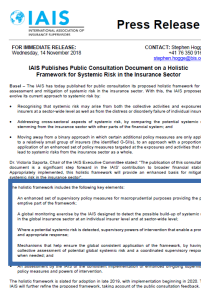
**November:**  
**Adoption of the Holistic Framework by the IAIS AGM**

2020

**Implementation starts, including:**  
Global monitoring exercise by the IAIS  
Implementation of revised ICPs and ComFrame

2022

**November:**  
FSB review of the holistic framework and the role of an annual identification of G-SIIs



### KEY ELEMENTS:

- An enhanced set of supervisory policy measures
- A global monitoring exercise by the IAIS
- Supervisory powers of intervention
- Mechanisms that help ensure the global consistent application of the framework
- IAIS assessment of implementation of supervisory material

# Development of the Holistic Framework

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## Outcomes of the November 2018 public consultation (1)

- Comments received from:
  - 35 Stakeholders
  - 9 IAIS Members
- 1092 comments received in total
- Outcome of the public consultation
  - Summary of main comments and their resolution on Section 3 of the consultation document [here](#)
  - All public consultation comments [here](#)

# Development of the Holistic Framework

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## Outcomes of the November 2018 public consultation (2)

### Responses related to section 3 (Supervisory policy measures):

- Support for a proportionate application of policy measures targeted at potentially systemic activities and exposures to a broader portion of the insurance sector, but:
  - Stressing the importance of principle of proportionality
  - Questions for clarification around scope of application
- Support for developing supporting material (Application Papers) on liquidity risk management and on macroprudential supervision, but also some concerns on the level of prescriptiveness
- Some concerns about possible negative effects from liquidity disclosures (self-fulfilling prophecy?)
- Support for using the ORSA, but emphasis on the role of the ORSA as an *own* risk assessment
- Concerns about how to ensure that supervisors follow due process and apply existing safeguards for powers of intervention based on macroprudential grounds

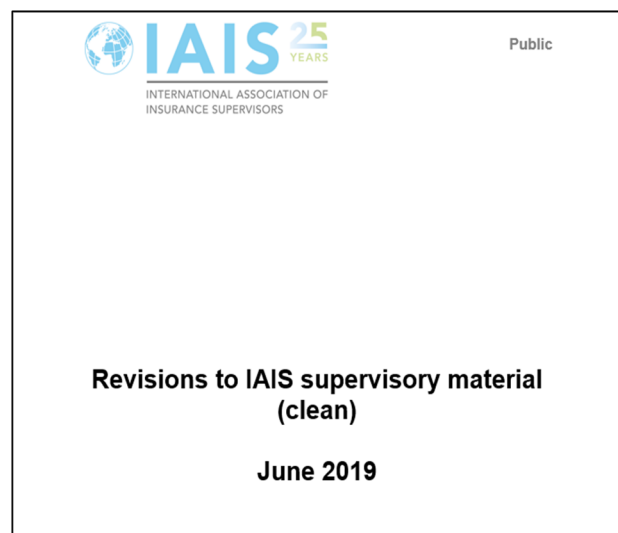
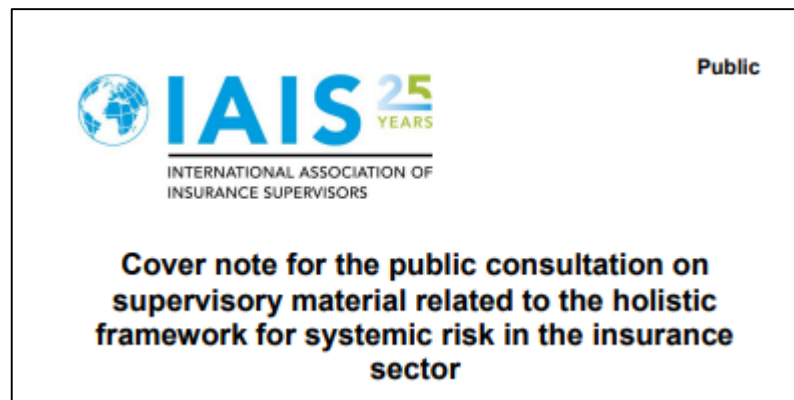
# PUBLIC BACKGROUND SESSION

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Revised supervisory material

# Content of the public consultation

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# Scope of the public consultation

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## Enhancing the link of macroprudential monitoring to the supervisory framework:

- ICP 9 and ComFrame (Supervisory Review and Reporting)
- ICP 24 (Macroprudential Supervision)

## Supervisory requirements on insurers:

- ICP 16 and ComFrame (Enterprise Risk Management for Solvency Purposes)
- ICP 20 (Public Disclosure)

## Supervisory powers of intervention:

- ICP 10 (Preventive Measures, Corrective Measures, and Sanctions)

**Note:** The measures related to crisis management and planning are not published for consultation, as these were already addressed in the Draft Overall ComFrame that was published for consultation in July 2018. These can be found in ICP 12 and ICP 16.15

# Contents of the public consultation

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## Enhancing the link of macroprudential monitoring to the supervisory framework:

- Establish a clear link between material across ICPs on macroprudential supervision and the supervisory review and reporting
- More explicit consideration of not only the risks to which insurers are exposed but also the risks that insurers may pose to financial stability

## Supervisory requirements on insurers:

- Additional ERM requirements targeted at liquidity risk, macroeconomic exposure and counterparty exposure. The requirements are applied in a proportionate manner to IAIGs and other insurers as necessary
- A requirement on insurers to disclose quantitative and qualitative information on liquidity

## Supervisory powers of intervention:

- It is highlighted in Guidance that preventive and corrective measures should also be applied to deal with a threat to financial stability, and it is recommended that these include reporting on the management of systemic risk, restrictions on business activities, large exposure limits, and the reinforcement of the financial position

## NEXT STEPS

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# Finalisation and plans for implementation

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**15 August 2019:** deadline for providing comments

## **November 2019:**

- 14 November: Adoption of the holistic framework and ICPs and ComFrame by IAIS Annual General Meeting
- 14 & 15 November: IAIS Annual Conference, Abu Dhabi

## **From 2020: start implementation**

- Supervisors will be expected to implement the enhanced set of policy measures and supervisory powers of intervention contained in the ICPs and ComFrame
- The IAIS will coordinate the annual global monitoring exercise including annual data collections
- The IAIS will undertake an assessment of implementation of the supervisory material contained in the ICPs and ComFrame

## **By 2022: Review of the holistic framework**

- Review by the FSB

# QUESTIONS?

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