

Newsletter

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IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

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Calendar Notes

9-10 March	Governance Working Group (Bonn)
9-11 March	Macroprudential Monitoring Working Group (Washington DC)
11-12 March	Market Conduct Working Group (Bonn)
24-26 March	Capital, Solvency and Field Testing Working Group (Tokyo)
25-26 March	Standards Assessment Working Group (Dubai)
25-26 March	Financial Crime Task Force

From the Secretary General

Statement on the ICS Monitoring Period



The International Association of Insurance Supervisors (IAIS) is developing the Insurance Capital Standard (ICS) with the purpose of creating a common language for supervisory discussions of group solvency of

Internationally Active Insurance Groups (IAIGs) to enhance global convergence among group capital standards. The ultimate goal is a single ICS that includes a common methodology by which one ICS achieves comparable, ie substantially the same, outcomes across jurisdictions.

At its November meeting in Abu Dhabi, the IAIS Executive Committee agreed on ICS Version 2.0, which is to be used during a five-year monitoring period. During the monitoring period, ICS will be used for confidential reporting and discussion among supervisors in supervisory colleges.

This represents a major step forward in the pathway to the ultimate goal of a single global capital standard for IAIGs that achieves comparable outcomes across jurisdictions.

As the IAIS transitions to the first phase of ICS implementation, there are certain issues around participation in the monitoring period, the ultimate goal of ICS, and the process of refinement of the ICS during the monitoring period that are worth reiterating, including in response to recent stakeholder queries and for the avoidance of any possible misperceptions.

What is the expectation regarding participation in the monitoring period?

As an international standard setting body, the IAIS does not have the legal power to directly mandate IAIGs to report ICS results during the monitoring period. However, IAIS Member supervisors collectively agreed in Abu Dhabi to make participation as large as possible across different jurisdictions and business models in order to ensure that the ICS captures risk appropriately. The IAIS has written to group-wide supervisors of IAIGs setting out the reasons why participation by IAIGs during the monitoring period is very important. This message will be conveyed by group-wide supervisors to the IAIGs in their jurisdiction. The expectation is that, at a minimum, the same groups that participated in ICS field testing exercises will participate in confidential reporting, with the number of additional



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Comments and suggestions are always welcome.

participants increasing over time. Participation in the ICS field testing exercises was strong across the globe. Participation averaged around 50 groups, covering almost 40% of the world insurance market based on gross written premium and 70% of all IAIGs by number.

In the coming months, the IAIS will collectively review the level of IAIG participation and discuss appropriate actions as necessary.

How is the agreement reached in Abu Dhabi a major step forward in the pathway to the ultimate goal of a single global capital standard for IAIGs?

The IAIS is developing the ICS as the global standard to be used as a prescribed capital requirement (PCR) for IAIGs, based on a common set of principles.

One of the key ICS Principles is comparability of outcomes across jurisdictions, thereby contributing to a level playing field and reducing the possibility of capital arbitrage. IAIS Members are committed to an approach that is compliant with the ICS Principles, including maintaining a level playing field.

Since the IAIS Annual Meeting in Kuala Lumpur in November 2017, US Members have indicated that their supervisory framework does not support a group-wide consolidated approach to a PCR, and hence the US and other interested jurisdictions are developing an Aggregation Method (AM) that follows a different approach than the ICS, but which they aim to use as their implementation of the ICS on an outcome-equivalent basis.

The AM is not part of ICS Version 2.0, nor is it being developed by the IAIS as an alternate global standard. Rather, it is an approach to a group-wide capital calculation being developed by the US and other interested jurisdictions that will be assessed in terms of whether it provides comparable outcomes to the ICS.

The assessment of whether the AM provides comparable outcomes to the ICS will be a technical assessment undertaken by the IAIS. The process and timelines for undertaking this assessment was published by the IAIS in November 2019. As a first step, the IAIS has published a draft definition of comparable

outcomes and particular considerations that will guide the development of high-level principles and criteria for the comparability assessment.

The IAIS has made it clear that this will be a robust and credible technical assessment that does not provide the AM a free pass, while at the same time providing a viable path for the AM to be deemed an outcome equivalent approach. In this way, IAIS Members have set out their continued commitment to the ICS Principles, including the comparability of outcomes across jurisdictions, contributing to a much more level playing field.

Stakeholders will also have an opportunity to input on how this goal should be achieved. The draft definition of comparable outcomes and high-level principles will be subject to a public consultation later this year, as will the draft comparability criteria in 2021.

How will the ICS be further refined during the monitoring period?

The purpose of the monitoring period is to monitor the performance of the ICS over a period of time, and not the capital adequacy of IAIGs. For this purpose, the monitoring period is intended to be a period of stability for the reference ICS. This does not preclude possible clarifications/refinements and correction of major flaws or unintended consequences identified during the monitoring period to improve the ongoing development of the ICS.

For this reason, the active participation of IAIGs in the monitoring period is very important to provide effective feedback on the ICS.

The feedback received during the monitoring period will be used to further improve the ICS. In addition to the feedback from supervisors, the IAIS will consider feedback from stakeholder engagement, a public consultation and the results of an economic impact assessment, all of which could result in changes to ICS Version 2.0. During the monitoring period, the IAIS intends to maintain the same level of engagement with stakeholders as it had during field testing.

Jonathan Dixon, Secretary General

In Focus...**Growing Cyber Insurance Market**

Although cyber risk is not new, its magnitude in recent years, amplified by the evolution of technology, with incidents such as NotPetya, WannaCry, other malware and data breaches, has raised growing concerns for a variety of issues. In 2019 the cost of cybersecurity and average number of breaches increased 12% and 11% respectively¹.

Jurisdictions are also adapting and implementing data protection and privacy laws to protect individuals as well as supervisory rules, guidance, and expectations for cyber security.

Along with the increase in cyber risk, cyber insurance, initially developed in the 1990's out of professional indemnity policies, has now grown to offer a broad range of coverage. Many insurers now offer a form of cyber coverage, whether in a stand-alone policy or as an endorsement to an existing policy and for both first party and third party losses. Insurers have also integrated loss prevention tools to educate clients and further develop their resiliency against attacks and assist with recovery efforts.

Subsequently, cyber insurance has raised concerns from supervisors, including questions on silent – or non-affirmative² - coverage as well as risk accumulation and the potential for catastrophic loss across sectors.

Cyber Insurance Market

Very few statistical agencies or insurance supervisors collect regular data on cyber insurance as a specific class of business separate from data on other classes of business (with the exception of the NAIC in the United States). As a result, most estimates of the size of the cyber insurance market globally or for individual countries are provided by private firms and will normally only capture affirmative cyber insurance coverage or only stand-alone cyber insurance coverage.

Most estimates suggest written premiums for cyber insurance of approximately USD 4-5 billion globally:

- North America: The NAIC estimated that admitted and surplus lines insurers in the United States wrote USD 3.6 billion in cyber insurance premium for stand-alone and package policies in 2018.³ This is consistent with estimates by Munich Re⁴ of written premiums of approximately USD 3.6 billion in 2018 for all of North America. According to Munich Re, North America accounts for approximately 80% of global cyber insurance premiums. Moreover, over 80% of the cyber insurance market is being written by the twenty largest insurers.
- Cyber insurance premium is expected to grow rapidly in the coming years, particularly in Europe: Large (re)insurance groups in Europe⁵ reported EUR 295 million in cyber insurance

¹ Accenture and Ponemon Institute, "Cost Of Cyber Crime Study", October 2019.

² "Coverage on a non-affirmative basis" refers to coverage for cyber-related losses under insurance policies with terms that neither explicitly encompass nor explicitly exclude coverage for cyber-related losses.

³ NAIC (2019), *Report on the Cybersecurity Insurance and Identity Theft Coverage Supplement*, National Association of Insurance Commissioners, https://content.naic.org/sites/default/files/inline-files/Cyber_Supplement_2019_Report_Final%20%281%29.pdf.

⁴ Reported in Faulkner, M. (2019), "Europe and Asia cyber premiums to outpace US growth", *Insurance Day*, 21 October 2019, <https://insuranceday.maritimeintelligence.informa.com/ID1129477/Europe-and-Asia-cyber-premiums-to-outpace-US-growth> (2018 estimates derived based on reported growth rates).

⁵ Responses to the questionnaire were received from 41 large (re)insurance groups based in 12 European countries that together account for approximately 75% of consolidated insurance market assets.

written premium in 2018 in response to an EIOPA questionnaire on cyber risk.⁶ This estimate is lower (but consistent) with estimates by Munich Re⁷ of approximately USD 550 million in written premium in Europe in 2018.

- Asia-Pacific: There is limited data on cyber insurance premiums from insurance supervisors in the Asia-Pacific region. Munich Re⁸ estimates approximately USD 380 million in cyber insurance written premium in Asia-Pacific. Aon estimates approximately AUD 60-100 million in cyber insurance written premium in Australia.⁹

The IAIS has included cyber risk among the strategic themes of its 2020-2024 Strategic Plan and Financial Outlook (SPFO), particularly under High Level Goal 1, which aims to assess and respond to issues that present opportunities, challenges and risks to its mission.

While the size of the market is still not significant compared to traditional lines of business, cyber risk underwriting has a huge potential given the global nature and scale of (estimated) cyber incidents and losses. In order to take a forward looking view on the potential risks associated with cyber underwriting, the IAIS Executive Committee established a small group mandated to develop proposals on where the IAIS could focus its efforts. This small group will present the findings of its work to the Executive Committee at its meeting on 26 February, including recommendations on a future workplan for the IAIS in this area.

⁶ EIOPA (2019), *Cyber Risk for Insurers – Challenges and Opportunities*, European Insurance and Occupational Pensions Authority,

https://eiopa.europa.eu/Publications/Reports/EIOPA_Cyber%20risk%20for%20insurers_Sept2019.pdf

⁷ Reported in Faulkner, M. (2019), "Europe and Asia cyber premiums to outpace US growth", *Insurance Day*, 21 October 2019, <https://insuranceday.maritimeintelligence.informa.com/ID1129477/Europe-and-Asia-cyber-premiums-to-outpace-US-growth> (2018 estimates derived based on reported growth rates).

⁸ Reported in Faulkner, M. (2019), "Europe and Asia cyber premiums to outpace US growth", *Insurance Day*, 21 October 2019, <https://insuranceday.maritimeintelligence.informa.com/ID1129477/Europe-and-Asia-cyber-premiums-to-outpace-US-growth> (2018 estimates derived based on reported growth rates).

⁹ Aon (2018), *Cyber Insurance Market Insights - Q3 2018*, <http://aoninsights.com.au/wp-content/uploads/Aon-Cyber-Insurance-Market-Insights-Article.pdf> and Aon (2019), *Cyber Insurance Market Insights – Q4 2019*, <https://aoninsights.com.au/cyber-insurance-market-insights-q4-2019/>.

Stakeholder Engagement

The Accounting and Auditing Working Group will hold a Stakeholder call on **27 February at 2:00 CET** its activities and to discuss key matters of interest.

If you have any questions on the event, please contact IAIS@bis.org.

Stakeholder Engagement

On Tuesday 21 April, the Resolution Working Group (ReWG) will host a stakeholder event in Basel. The event will be aimed at supporting the development of an Application Paper on Resolution Powers and Planning.

If you have any questions on the event, please contact IAIS@bis.org.

Meetings and Events

Upcoming IAIS Meetings: March – April

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
9-10 March	Governance Working Group (Bonn)
9-11 March	Macroprudential Monitoring Working Group (Washington DC)
11-12 March	Market Conduct Working Group (Bonn)
24-26 March	Capital, Solvency and Field Testing Working Group (Tokyo)
25-26 March	Standards Assessment Working Group (Dubai)
25-26 March	Financial Crime Task Force
22 April	Resolution 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

FSI Cross-sectoral policy implementation meeting on climate risk assessment in the financial sector – turning up the heat, 20-21 February 2020, Basel

The meeting consisted of six panel sessions relating to climate risk assessment, ranging from more strategic issues such as sequencing of regulatory and supervisory measures to technical discussions such as climate risk modelling. See the FSI report at the end of the newsletter for more information.

Committee and Subcommittee Activities

Subcommittee Activities

Accounting and Auditing Working Group

The Accounting and Auditing Working Group next meets on 26-27 February in Basel. The Working Group will discuss the IASB's proposed amendments to IFRS 17, audit quality issues related to the implementation of IFRS 17, Monitoring Group developments and will hold a Stakeholder call-in session.

Secretariat Support: jay.muska@bis.org

The group discussed the outcome of the public consultation on the Application Paper on Liquidity Risk Management and started revising the paper accordingly. Moreover, the MSWG kicked off discussions on drafting the Application Paper on Macroprudential Supervision which is based on ICP 24.

Secretariat Support:
hanne.vanvoorden@bis.org and
andrei.radu@bis.org

Capital, Solvency and Field Testing Working Group

The Capital, Solvency and Field Testing Working Group (CSFWG) met in Basel from 4-6 February to discuss the monitoring period and the Level 2 document for ICS Version 2.0 for the monitoring period, based on parent committee decisions in November. An update was also provided on the work plan for the Aggregation Method (AM) additional data collection.

CSFWG will next meet in Tokyo 24-26 March 2020 to discuss the confidential reporting package for ICS Version 2.0 for the monitoring period and the 2020 AM additional data collection. Confidential reporting of ICS Version 2.0 for the monitoring period and the AM additional data collection will both be launched in late April 2020, with a launch workshop in Basel on 19 May.

Secretariat Support: danita.pattimore@bis.org

Resolution Working Group

The Resolution Working Group (ReWG) met on 28-29 January in London. The group started its work on an Application Paper on Resolution Powers and Planning, which is planned for publication by the end of the year. ReWG also discussed preparations for the stakeholder event to support the development of the Application Paper, to be held on 21 April in Basel.

Secretariat Support:
hanne.vanvoorden@bis.org

Supervisory Material Review Task Force

The Supervisory Material Review Task Force met via webinar to discuss revisions to the internal IAIS Drafting Guide for Supervisory Material, a practical guide helping drafters of ICP and ComFrame material including on the overall drafting approach, style and terminology issues.

Secretariat Support:
hanne.vanvoorden@bis.org

Macroprudential Supervision Working Group

The Macroprudential Supervision Working Group (MSWG) met for the first time on 11-2 February in New York City.

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.

Events Calendar 2020:

We have recently updated our calendar for the rest of the year with our events, trainings, workshops, seminars, and partner events. Please follow the link to inform yourself of events relevant to you.

Recent Events

Insurance Development Forum Operational Committee Meeting 16-17 January, London, UK

Private sector, public sector and international organisations all with an interest in helping to extend the use of insurance and its related risk management capabilities to countries vulnerable to disasters and their associated economic shocks came together for this meeting. In the opening exchange, the participants, including the A2ii, shared what work they already have underway as well as their plans on the topic of climate risk.

The discussion then focused on the partnership announced at the UN Climate Summit between the United Nations Development Program (UNDP), Insurance Development Forum (IDF), the UK Department for International Development (DFID) and German Federal Ministry for Economic Cooperation and Development (BMZ). The goal of the partnership is to help achieve the InsurResilience Vision 2025 of increasing the resilience of 500 million individuals against

climate and disaster-related shocks. The participants explored how IDF's multi-stakeholder membership could work together in supporting the achievement of this goal through both macro and micro level solutions.

Global Partnership for Financial Inclusion Symposium, Plenary and Workshop 22-24 January, Riyadh, Saudi Arabia

This was the first meeting of the Global Partnership for Financial Inclusion (GPFI) under the Saudi Arabian G20 Presidency.



The panel discussions on the first-day were focused on the Saudi Presidency's key GPFI priorities of digital financial inclusion of youth, women and Small and Medium-Sized Enterprises (SMEs). At the GPFI Plenary meeting that followed the symposium, government ministries from G20 and also non-G20 countries along with implementing and affiliated partners (including the A2ii) discussed the GPFI deliverables under the Saudi presidency. The final day consisted of a workshop where work to re-structure the GPFI was discussed along with the development of the GPFI's next 3-year work plan – Financial Inclusion Action Plan 2020.

Climate risk insurance for the underserved and vulnerable: what is the role of insurance supervisors to foster its responsible development – A2ii-IAIS Consultation Call, 30 January, WebEx



supervisors in closing the climate risk protection gap.

To kick off our consultation call webinar series in 2020, the first call drew on the [recent A2ii thematic report](#) on the role of insurance supervisors in closing the climate risk protection gap.

Through an interactive dialogue between supervisory representatives and insurance sector practitioners, participants were able to hear what supervisors can do to encourage the development of responsible climate risk insurance markets, how supervisors can leverage on the insurance industry's risk management expertise to build resilience and how supervisors can champion climate risk insurance awareness among policymakers to ensure that it is seen as a piece of the puzzle of disaster risk management

In the English and French calls, we heard from Mathieu Dubreuil (Senior Insurance Advisor, World Food Programme (WFP)), while in the Spanish call, Paula Pagniez (Director, Capital, Science & Policy Practice, Willis Towers Watson) shared her perspective as a practitioner in the insurance sector. Luc Noubissi and Cedric Miakwang from the Inter African Conference for Insurance Markets (CIMA) contributed to the discussion by sharing their supervisory views in the French and English calls respectively, while Rafael Cestero Lopategui (Chief Deputy Insurance Commissioner, Oficina del Comisionado de Seguros, Puerto Rico) represented the supervisory views in the Spanish call. The dialogue in all the sessions was moderated by the A2ii and facilitated by Andrea Camargo (director of Inspowering and technical expert of the A2ii). Keep an eye on our [website here](#) where a summary report of the call will be published.

Upcoming Events

Seminar on risk-based supervision for francophone supervisors (Séminaire pour contrôleurs d'assurance francophones: Défis et enjeux du contrôle basé sur les risques dans les marchés émergents)
3 – 5 March, Saly-Portudal, Senegal

This seminar in French language is organised by the DNA Senegal, CIMA, ACPR, the IAIS and the IBFI. For more information and the registration form, please visit the [A2ii French events page](#).

The Second Inclusive Insurance Innovation Lab 2020/2021 starting 4 March, Argentina, India, Morocco and Rwanda

We are about to kick off the national workshops for the iii-lab (please check Events and Training for further updates). Argentina, India, Morocco and Rwanda have been chosen to participate and first national workshops will be held in each of the participating countries. The country teams will unite for the first time and spend two days getting to know each other and starting a dialogue on the on-going issues in their countries regarding access to insurance.

Coping with Common Challenges in Developing Insurance Markets training programme for insurance supervisors and regulators 9 – 13 March, Johannesburg, South Africa

This programme is jointly organised by the Southern African Development Community, the World Bank Group and the Toronto Centre. This program is designed to help regulators and supervisors identify the developmental challenges in their insurance markets. It will examine common problems in developing insurance markets and how well-designed regulation and supervision can help overcome these challenges. The program will provide regulators with tools to assess the level of competition in the insurance market, how to assess the efficiency of compulsory markets – particularly for motor insurance – and what regulatory and supervisory tools (from risk-based capital adjustments to enforcement techniques) can be used to address identified problems. For more information, visit the [A2ii Events page](#).

Recent Publications

[Final report - the first Inclusive Insurance Innovation Lab 2017/2018](#)

The final report has been published for the first Inclusive Insurance Innovation Lab 2017/2018. The iii-lab brought together a wide range of stakeholders of the inclusive insurance sector from four participating countries - Albania, Ghana, Kenya and Mongolia. From November

2017 to December 2018, participants engaged in dialogue and mutual learning, and developed innovative solutions towards increasing the uptake of insurance. The iii-lab consisted of a series of national and international workshops as well as ancillary calls in between. Photos of the first iii-lab can also be seen in our [photo galleries](#).

Report on Cyber Risk in the Insurance Sector - A2ii-IAIS Consultation Call

Globally, cybersecurity threats are on the rise, and there is a growing concern over the impact that cybersecurity incidents have on the financial sector as a whole, including the insurance sector. With the increasing use of technological innovations and the use of FinTech, personal data is now more readily available and subject to cyber-attacks. This consultation call explored critical issues concerning cyber threats and incidents in the insurance sector, regulation and supervision of cyber risks as well as the applicability of the ICPs to cybersecurity, drawing from the recent IAIS Application Paper and [Issues Paper](#) published on cyber risk.

Financial Stability Institute



The Financial Stability Institute (FSI) was jointly created in 1998 by the Bank for International Settlements and the Basel Committee on Banking Supervision to assist supervisors around the world in improving and strengthening their financial systems.

Recent publications

New FSI Insights No. 23: Policy responses to fintech: a cross country overview

This [FSI Insights](#) provides a cross-country overview of regulatory and policy responses with respect to fintech developments. It introduces a new conceptual framework to classify fintech activities, policy enablers and enabling technologies, the “FSI fintech tree”. The paper finds that while policy makers have reacted to fintech, no major upheaval in the structure of financial regulation has taken place. Financial authorities face policy trade-offs and need to deal with speed of innovation and novel business models.

Updated FSI Connect tutorials

In February 2020, the FSI published an updated tutorial on insurer corporate governance.

Recent events

Cross-sectoral policy implementation meeting on climate risk assessment in the financial sector – turning up the heat, 20-21 February 2020, Basel

The meeting consisted of six panel sessions relating to climate risk assessment, ranging from more strategic issues such as sequencing of regulatory and supervisory measures to technical discussions such as climate risk modelling. Supervisory authorities that are more

advanced in stress testing of climate risks shared their experiences on how to conduct those exercises effectively. Authors of [FSI Insights No. 20 ‘turning up the heat – climate risk assessment in the insurance sector’](#) highlighted the paper’s key findings based on a survey of 18 insurance authorities. There was also exchange of views on how existing risk management requirements on banks and insurers can be tailored to capture their climate risk exposures. Geoff Summerhayes, IAIS Exco Champion on climate change, delivered a keynote address and recorded a podcast.

Upcoming Events

Fourth high-level meeting on global insurance standards and supervisory priorities in the Americas, 20 April 2020, Lima

The meeting will bring together senior insurance regulators and supervisors to discuss the global and regional developments in insurance supervision, latest work on implementing risk-based regulations and regimes, institutional arrangements and challenges with various mandates, cybersecurity and the use of technology in supervision (suptech).

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



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