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Acronyms

CMG	Crisis Management Group
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
IAIG	Internationally Active Insurance Group
IAIS	International Association of Insurance Supervisors
ICP	Insurance Core Principle
MMoU	Multilateral Memorandum of Understanding

1 Introduction

1. This Application Paper describes the processes and practices related to the establishment and functioning of supervisory colleges for insurance groups with cross-border activities, as described in the Insurance Core Principles (ICP) and ComFrame (CF). In particular, the Application Paper supports observance of ICP 3 (Information Sharing and Confidentiality Requirements) and ICP 25 (Supervisory Cooperation and Coordination).

2. The objective of this Application Paper is to foster an understanding of the work of supervisory colleges and to explain the role and involvement insurers may have in supervisory colleges. This Application Paper, as a publicly available document, focuses on those aspects of supervisory college operations that are most relevant from the perspective of the insurance industry.

3. The original version of this Application Paper was adopted in October 2014.[1] The Application Paper has now been revised and updated to reflect subsequent developments of IAIS supervisory material, including revision of ICPs 3 and 25 and the adoption of ComFrame, which took place in November 2019.

4. Coordination arrangements are mechanisms to foster cooperation and coordination between involved supervisors with regard to the supervision of insurance groups, as well as to promote a common understanding, communication and information exchange.[2] One form of coordination arrangements is a supervisory college. In practice, a supervisory college often is the preferred form of coordination arrangements.

5. Supervisory colleges support the development of a common understanding of risks within an insurance group and promote a shared agenda for addressing these risks and vulnerabilities by coordinated activities or actions at the insurance legal entity and group level.

6. IAIS Application Papers should be read in the context of the proportionality principle, as described in the Introduction to the ICPs: "Supervisors have the flexibility to tailor their implementation of supervisory requirements and their application of insurance supervision to achieve the outcomes stipulated in the Principle Statements and Standards." Where appropriate, this Paper provides practical examples of the application of the proportionality principle.

7. In this Application Paper, all terms have the same meaning as set out in the IAIS Glossary and the Introduction to the ICPs.[3] Explanations of frequently used terms that are not part of the IAIS Glossary are provided as necessary.

2 Establishment of supervisory colleges

2.1 Role of the group-wide supervisor in establishing a supervisory college

8. At the initial stage of establishing group-wide supervision, involved supervisors discuss and agree which of them is the group-wide supervisor for a cross-border insurance group.[4]

[1] That version reflected, among others, the outcome of the IAIS Thematic Self Assessment and Peer Review Supervisory Cooperation and Information Exchange (January 2012) and the discussions held at the Supervisory Forum in 2013.
[2] ICP 25.4.1.
[3] For example, the IAIS Glossary provides for definitions of the following terms: supervisory college, group-wide supervisor, involved supervisor, IAIS MMoU, home supervisor, host supervisor, insurance legal entity.
[4] ICP 25.1.

The group-wide supervisor facilitates and leads the cooperation and coordination amongst other involved supervisors and is ultimately responsible for delivering effective and efficient group-wide supervision.[5]

9. The group-wide supervisor sets out the coordination arrangements in a written coordination agreement and puts such arrangements in place.[6] The establishment of the supervisory college is not obligatory for all insurance groups, but it is obligatory for an Internationally Active Insurance Group (IAIG).[7] For a cross-border group that is not an IAIG, the group-wide supervisor and other involved supervisors discuss and agree whether to establish a supervisory college, and if so, how to structure and operate the supervisory college.[8] Where it is not determined necessary to establish a supervisory college for a cross-border group that is not an IAIG, this decision should be reassessed periodically, and upon any significant changes in the group, by the group-wide supervisor together with other involved supervisors.

10. As stated in ICP 23.2, the group-wide supervisor, in cooperation and coordination with other involved supervisors, determines the scope of group-wide supervision.[9] As a first step, the group-wide supervisor, also in cooperation and coordination with other involved supervisors, identifies all legal entities that are part of the insurance group.[10] Further, the group-wide supervisor would also request that the insurance group provide relevant information to enable the identification of its legal entities.

11. Once the relevant legal entities have been identified, the group-wide supervisor, in cooperation with other involved supervisors, determines whether the group is an IAIG after considering whether it meets both the international activity and size criteria, as provided in CF 23.0.a.[11] As set out in CF 23.0.b, in limited circumstances the group-wide supervisor has discretion to determine that a group is not an IAIG even if it meets the criteria or that a group is an IAIG even if it does not meet the criteria.

2.2 Approaches to supervisory college structures and membership

12. A supervisory college is typically composed of representatives of each of the supervisors responsible for the day-to-day supervision of the insurance legal entities, including material or relevant branches, which are part of the group and, as appropriate, any supervisors of other material non-insurance entities.[12]

13. The group-wide supervisor, in cooperation and coordination with the involved supervisors, should carefully consider the structure of the supervisory college (for example,

[5] ICP 25.0.3.
[6] ICP 25.5.
[7] CF 25.6.a.
[8] ICP 25.6.
[9] See also ICP 25.2.2.
[10] See ICP 23.1 and supporting guidance. In addition, as stated in ICP 23.2.5, the exclusion or inclusion of entities within the scope of the group-wide supervision should be regularly re-assessed.
[11] As stated in CF 23.0.a.4, although an insurance legal entity that has no parent or subsidiaries is not an insurance group, it should be regarded as an IAIG if it operates on a branch basis in foreign jurisdictions and meets the criteria. The supervisor of this entity, in cooperation with other involved supervisors, would determine whether the IAIG criteria are met. References to a "group" in this context would include such entities operating through branches which are identified as IAIGs.
[12] ICP 25.6.3. In addition, ICP 25.6.4 states that clear criteria should be established for defining the basis of membership in the supervisory college and provides a non-exhaustive list of issues which should be considered in establishing these criteria.

inclusive, tiered or regional).[13] The decision on the structure of the supervisory college should ensure the effective and efficient use of resources to reduce the potential duplication of work and avoid the creation of any unnecessary additional burden on both supervisors and insurers.

14. A tiered structure of the supervisory college may be chosen for different reasons, such as to comply with the applicable legislation or to improve the efficiency and effectiveness of supervisory college work. Examples of a tiered structure can be a global supervisory college and regional colleges.

15. As part of the tiered structure of the supervisory college, some group-wide supervisors establish core colleges, which include only the supervisory college members responsible for the supervision of insurance legal entities, including branches, most material for the insurance group and/or the local market of that entity.

16. The broader supervisory college should be informed of the topics and discussions within the tiers of the supervisory college.

17. The structure of and membership in the supervisory college should be reviewed on a regular basis to reflect changing circumstances in the insurance group.[14]

3 Supervisory college procedures and tools

18. Supervisory colleges use a variety of procedures and tools to facilitate their operations and enhance supervisory cooperation and coordination. In this regard, coordination agreements are used to establish a framework for supervisory college operations as well as the procedures for information exchange, confidentiality protection and use of IT tools that support the good functioning of supervisory colleges.

3.1 Coordination agreements

19. The purpose of a supervisory college coordination agreement[15] is to establish an operational framework for the supervisory college. The coordination agreement is not legally binding and does not create enforceable obligations from one supervisor to another. However, jurisdictions may be subject to an obligation to establish such an agreement. [16]

20. Involved supervisors remain subject to their jurisdictional legal and regulatory frameworks and their requirements for entering into coordination agreements. Even though coordination agreements are not legally binding, they confirm the commitment of the supervisory college members to cooperation within the supervisory college.

3.2 Information exchange and confidentiality protection

21. Information exchange is an important aspect of supervisory cooperation and coordination within supervisory colleges. The group-wide supervisor should be responsible for coordination of information sharing procedures amongst the other involved supervisors as well

[13] ICP 25.6.2.
[14] ICP 25.6.5.
[15] In practice, different terms may be used by supervisors to describe such a document, for example: college agreement, memorandum of understanding. The content of a document should be decisive in determining whether it should be considered as “a coordination agreement” as described above.
[16] ICP 25.6.6.

as the aggregation of group-wide information and dissemination of the relevant information to other involved supervisors.[17]

22. The supervisor obtains information from, and shares information with, supervisory college members subject to confidentiality, purpose and use requirements.[18] In this regard, the supervisor shares information, including non-public information, with relevant supervisors and authorities at its sole discretion and subject to appropriate safeguards.[19] Information exchange under confidentiality requirements, including conditions of professional secrecy[20], is a vital precondition for successful cooperation within supervisory colleges.

23. Information exchange amongst supervisory college members is subject to the legal requirements of each jurisdiction. The individual jurisdictional requirements of supervisory college members should be assessed to ensure they are able to exchange and protect confidential information for supervisory college purposes. The process includes an assessment of the present jurisdictional regime and practices and its observance of relevant international standards.[21] The supervisory college may conduct this assessment in two ways:

- Rely on the assessment performed by the IAIS on the robustness of a jurisdiction's confidentiality regime as a part of the validation process to become a signatory to the IAIS Multilateral Memorandum of Understanding (MMoU); or
- Supervisors that have not yet undergone this procedure should be subject to a case-by-case assessment performed by the supervisory college members before participating in supervisory college activities.

24. All signatories to the IAIS MMoU undergo a validation of their laws and regulations to demonstrate compliance with the MMoU's strict confidentiality regime based on the confidentiality requirements in ICP 3. For this reason, if all relevant parties are signatories to the IAIS MMoU, it is the preferred framework for multilateral information exchange.[22] However, a supervisory college may include both IAIS MMoU signatories and non-signatories. Members of a supervisory college who are not signatories to the IAIS MMoU should enter into a similar long-term agreement covering information exchange and confidentiality, which could be included in the college coordination agreement.[23]

25. The circumstances of supervisory college members may change during the course of their collaboration, which may alter the original assessment of the ability to exchange information under conditions of professional secrecy with other supervisory college members.[24] When circumstances change, the supervisory college member should inform the

[17] ICP 25.2.2. See also ICP 25.2.5, which states that group-wide supervisor should make relevant information available to the other involved supervisors on a proactive basis and in a timely manner.
[18] See the Principle Statement of ICP 3. See also ICP 2.7.
[19] ICP 3.2.
[20] The obligation of professional secrecy means that – as a basic rule – all confidential information received may not be divulged to any person or authority. A jurisdiction's professional secrecy requirements should apply to any person currently or previously employed by or acting on behalf of a regulatory authority.
[21] For all supervisory colleges, ICPs 3 and 25 are applicable. ComFrame material in ICP 25 also applies to supervisory colleges of IAIGs. The requirements laid down in the IAIS MMoU apply to the supervisory college members who are signatories to the IAIS MMoU. Annex B of the IAIS MMoU sets out the requirements for the strict confidentiality regime.
[22] ICP 3.2.2.
[23] ICP 25.6.8.
[24] The examples include changes in law or in supervisory practices in particular jurisdiction, which may decrease the level of protection of information received from other supervisors and thus may affect the original assessment in a negative way.

group-wide supervisor. The group-wide supervisor should, in turn, inform other members of the supervisory college. A subsequent assessment may need to be conducted to ensure continuity of the information exchange amongst supervisory college members.

26. Depending on the terms of the coordination agreement, if an assessment of the relevant jurisdictional requirements of the other involved supervisor is not successful, that supervisor would not be admitted as a supervisory college member. Such a supervisor may still be included, to a certain extent, in supervisory college work. As a default option, the group-wide supervisor and other supervisory college members may share publicly available information with the said supervisor. In turn, this supervisor may share information with supervisory college members, including the group-wide supervisor.

3.3 IT Tools

27. The group-wide supervisor should give careful attention to confidentiality requirements when choosing or developing the IT tools that support the work and functioning of the supervisory college. In particular, password-protected websites, secure e-mail exchange and IT platforms are commonly used within supervisory colleges. The group-wide supervisor may also want to consider how to leverage IT tools to facilitate in-person, virtual as well as hybrid meetings.

4 Functions and activities of a supervisory college

28. Supervisory colleges facilitate cooperation between the group-wide supervisor and other involved supervisors and provide important functions and activities as part of the group-wide supervisory process.

4.1 Supervisory college as a forum for ongoing cooperation

29. This Application Paper consistently speaks of supervisory colleges as a permanent platform for supervisory cooperation and coordination. In this context, the term “supervisory college” needs to be distinguished from “supervisory college meetings”, which refers to situations where the involved supervisors convene in-person or virtually.

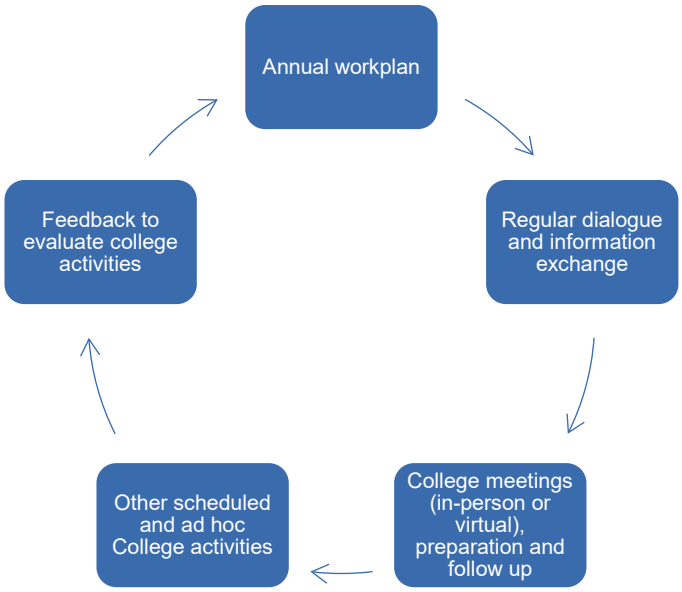
30. Supervisory college members may exchange information and coordinate their supervisory activities, including the application of supervisory measures. Supervisory decisions remain the responsibility of each of the involved supervisors and remain subject to jurisdictional legislation.

4.2 Supervisory college planning cycle and workplan

31. In the same way that supervisors set up planning cycles for supervisory activities, the group-wide supervisor typically establishes a planning cycle for activities to be carried out by the supervisory college. This process usually begins with the draft of a workplan and ends with an evaluation of the supervisory college activities. During the cycle, a number of activities revolve around planning, conducting and follow-up of supervisory college meetings, ad hoc or regular information exchange and other supervisory college activities.

32. Key elements of the supervisory college planning cycle are displayed below, some of which may involve the supervised group. Additional elements may be added, either as planned or ad hoc activities.

Figure 1. Key elements of the supervisory college planning cycle



33. Supervisory college workplans are living documents and are regularly updated to reflect changes to a supervised group. Workplans should also reflect the nature and circumstances of the group; for example, the workplan for a less complex group with no significant supervisory concerns may be simpler when compared to a workplan for a more complex group or one with ongoing supervisory concerns. The group-wide supervisor establishes the workplan for the following year and includes input from supervisory college members. The workplan is usually discussed in a college meeting and typically includes college activities such as meetings, joint on-site inspections, specific key areas or focus topics that the supervisory college would like to review and the coordination activities of crisis management preparations. Workplans detail the activities to be conducted and the responsible college member(s), including the target date for completion.

4.3 Supervisory college activities related to the group-wide risk assessment

34. Information exchanges and discussions within supervisory colleges commonly cover key risk areas and concerns applicable in each jurisdiction that is represented in the supervisory college. As stated in ComFrame, the group-wide supervisor should use information gathered on legal entities within the IAIG from other involved supervisors as one of the bases for the assessment of group-wide risk.[25]

35. Risk assessments are conducted at the insurance legal entity and group-wide level on a regular basis and are usually a main focus of the supervisory college. Such risk assessments can help the group-wide supervisor and other supervisory college members enhance their understanding of the group as well as identify and coordinate appropriate supervisory actions and activities, if necessary. [26] As stated in ComFrame, where other involved supervisors

[25] CF 9.2.a.3.
[26] In some cases, supervisory colleges also consider the risk assessments of branches, for example if the branch is material for the group or the local market.

identify risks that may be relevant to the supervision of the IAIG at the group level, they should share their individual risk assessment with the group-wide supervisor.[27]

36. A broad range of quantitative and qualitative data is used for risk assessments. In this respect, the group-wide supervisor and other members of a supervisory college may agree on selected data, such as a list of ratios, to be exchanged within the supervisory college on a regular basis.

37. Discussing issues and exchanging information related to the group-wide risk assessment in a supervisory college aims to establish a common understanding among the supervisory college members of the risks to which the group and its legal entities are exposed. Different views and perspectives enrich the discussion within the supervisory college. Therefore, members of the supervisory colleges should be given an opportunity to reach a consensus view. The group-wide risk assessment is an ongoing process and the assessment should be updated to reflect the exchange of information within the supervisory college.

38. As regards the group-wide supervision of IAIGs, the group-wide supervisor communicates the results of the group-wide supervisory review, including the group-wide risk assessment, to the supervisory college and, as appropriate, to the Head of the IAIG.[28]

39. The results of the group-wide supervisory review and the risk assessment may be presented to representatives of the head of the group in an appropriate way. Most relevant aspects might also be discussed with members of the group-wide Senior Management during the supervisory college meeting.[29]

4.4 Supervisory cooperation in planning for crisis management

40. The responsibilities of the group-wide supervisor include coordinating crisis management preparations with other involved supervisors and relevant authorities.[30] In this regard, ICP 25 also recognises the role of a supervisory college, which should plan in advance the process for cooperation and coordination during crisis situations in order to benefit from well-established information and cooperation channels and procedures should a crisis occur.[31]

41. ComFrame requires the establishment of an IAIG Crisis Management Group (CMG) with the objective of enhancing preparedness for, and facilitating the recovery and resolution of, the IAIG.[32]

42. Authorities may also decide to extend these cooperation platforms to other insurers with cross-border operations that are not classified as IAIGs. Alternatively, where the setup of such a body is not deemed necessary, another type of arrangement could be considered, such as the IAIS MMoU or the supervisory college. The supervisory college may qualify as an IAIG CMG if the supervisory college's coordination arrangements address recovery and resolution; and membership includes those authorities which would otherwise be members of the IAIG CMG.[33]

[27] CF 9.2.a.3.
[28] CF 9.7.a.
[29] For more about involvement of group-wide Senior Management in supervisory college meetings, see Section 5.3.
[30] ICP 25.7.
[31] ICP 25.7.8.
[32] CF 25.7.a. More details about the functioning of IAIG CMGs can be found in the Application Paper on Resolution Powers and Planning.
[33] CF 25.7.a.3.

5 Organisation of supervisory college meetings

43. Supervisory college meetings should be well organised to support the effectiveness of the supervisory college, including identifying the agenda in advance of and the need for any actions following a meeting. The frequency of meetings and the role of the group itself in a meeting should also be identified in advance.

5.1 Purpose and objective of supervisory college meetings

44. The purpose and objective of a supervisory college meeting should be defined by the group-wide supervisor and communicated to the supervisory college members prior to the meeting.

5.2 Frequency and form of supervisory college meetings

45. In practice, most supervisory colleges meet at least annually either in-person or virtually. In the case of supervisory colleges for IAIGs, ComFrame states that those supervisory colleges should meet at least annually. Supervisory college meetings are commonly in-person, however, when an in-person meeting is not practical, meetings should take place by virtual means.[34]

46. Supervisory colleges of bigger or more complex groups tend to meet more frequently. For example, some supervisory colleges meet twice per year: once in-person and once virtually. In addition to regular meetings, ad hoc (in-person or virtual) meetings of the supervisory college may be required to facilitate information exchange in the case of events or changes that are material to the group.

5.3 Involvement of group-wide Senior Management in supervisory college meetings

47. A supervisory college provides a forum for involved supervisors to interact with the insurer's group-wide Senior Management.[35] In this respect, group-wide Senior Management may be invited to participate in part of the supervisory college meeting to present and provide their views on relevant developments and receive feedback from supervisory college members. Depending on the scope of the issues being discussed, other staff from the group may attend the supervisory college meeting as well.

48. The group-wide supervisor is responsible for deciding whether to invite group-wide Senior Management and for coordinating their involvement in the supervisory college meeting. The group-wide supervisor should also be the point of contact for group-wide Senior Management.

49. When asking group-wide Senior Management to attend a supervisory college meeting, the group-wide supervisor is expected to communicate the objective and scope of issues to be covered in a clear and transparent manner. For example, group-wide Senior Management can be asked to provide a presentation on the group's situation and specific developments within the group. The presentation and the discussion between group-wide Senior Management and the supervisory college members may also focus on certain specific issues.

50. The discussion between the supervisory college members and group-wide Senior Management provides each of them with an opportunity to better understand the situation of the insurance group and relevant developments, to share their respective points of view, and

[34] See ICP 25.6.7 as well as CF 25.6.a and supporting guidance CF 25.6.a.3.
[35] ICP 25.6.10.

to better understand each other's concerns. These discussions allow group-wide Senior Management to provide explanations directly and efficiently to all relevant supervisors. This should enable supervisory college members to have more informed discussions, for example on the group-wide risk assessment. For this reason, sufficient time should be allocated for questions from supervisory college members to group-wide Senior Management and for discussion on the views of the group.

51. The discussion with group-wide Senior Management also provides supervisory college members with an opportunity to discuss identified issues at the level of the insurance legal entity that affects the whole group.[36] Such discussions are mutually beneficial as they allow supervisory college members to hear the view of group-wide Senior Management on the issues identified and to obtain relevant explanations. They also allow group-wide Senior Management to better understand the issue identified and the concerns of supervisory college members.

5.4 Follow-up actions

52. A supervisory college meeting will typically conclude with clear output regarding the following issues:

- Key observations and conclusions on topics discussed during the meeting;
- Main outcome of the discussions of the supervisory college on the group-wide risk assessment; and
- Follow-up actions, including coordination of supervisory activities and joint supervisory actions.

53. After the supervisory college meeting, the group-wide supervisor may provide the insurance group with verbal or written feedback (eg in the form of a letter), aimed at enabling the group to better understand and appreciate the activities of the supervisory college that result from the supervisory college workplan. This feedback aims to improve the overall communication and exchange of information between the group and the supervisory college and deepen their constructive cooperation. The feedback can cover issues such as:

- Relevant outcome of supervisory college discussions, including potential concerns of the supervisory college;
- Potential improvements within the group; and
- The group's contributions to the supervisory college meeting as well as interaction between the group's representatives and the supervisory college during the meeting.

[36] See ICP 25.6.10.