



IAIS 25
YEARS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

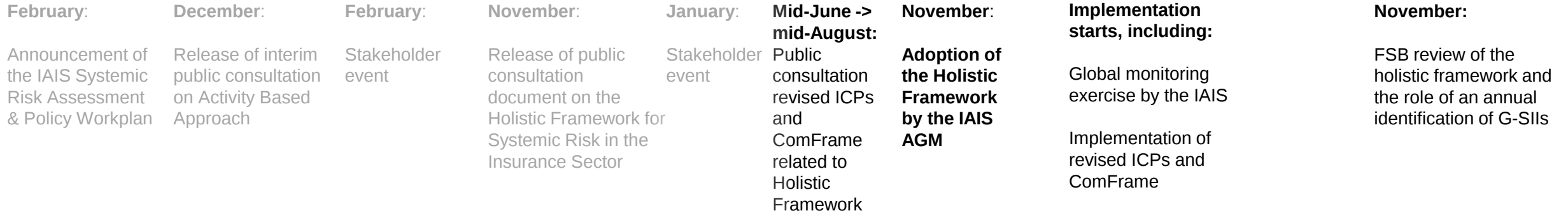
Holistic Framework for Systemic Risk in the Insurance Sector

IAIS Secretariat

Global Seminar - 13 June 2019, Buenos Aires



Timeline



- 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

Supervisory material

Outcomes of the November 2018 public consultation

- Support for a proportionate application of policy measures targeted at potentially systemic activities and exposures to a broader portion of the insurance sector:
 - ERM requirements related to transmission channels: liquidity risk, macroeconomic exposure and counterparty exposure
 - Stressing the importance of principle of proportionality
 - Questions for clarification around scope of application
- Concerns about how to ensure that supervisors follow due process and apply existing safeguards for powers of intervention based on macroprudential grounds

Supervisory material

Scope of the June 2019 public consultation

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)

Supervisory material

Immediate next steps

- **Mid-June – mid-August:** Public consultation on draft revised supervisory material related to holistic framework
- **Mid-June:**
 - publication of all consultation comments received on the November 2018 consultation document
 - Publication of a summary of main comments received and their resolution related to Section 3 (Supervisory policy measures)
- **2 July, 14.00 CEST:** Public background call

PUBLIC

Revisions to the IAIS supervisory material (redline)

XX June 2019

Revisions related to the holistic framework development are in red, and other revisions are in orange.

PUBLIC

Summary of main comments received on Section 3 (Supervisory Policy Measures) of the consultation document Holistic Framework for Systemic Risk in the Insurance Sector and their resolution

Introduction

- The IAIS received numerous comments from both Members and Stakeholders that provided valuable input for further improvements to the draft revisions to the supervisory material.
- With this document the IAIS provides responses to the main comments received on Section 3 (Supervisory Policy Measures) of the November 2018 consultation document Holistic Framework for Systemic Risk in the Insurance Sector and their resolution, with the aim to provide background on the draft revisions to the ICPs and ComFrame that are now presented for public consultation.

Reference	Summary of comments received	IAIS response
Macro prudential surveillance	In some responses, it appears that there might have been some confusion on the ultimate addressee of ICP 24, whether it is the supervisor or the insurance sector. Also there appeared to be some confusion about the role of the IAIS, where some stakeholders were concerned about additional data collections by the IAIS. There was a suggestion by some stakeholders to use ORSA as the basis for the supervisor's assessment.	The ICP 24 is addressed at the supervisor, not the insurers. For instance, when discussing stress testing, it refers to stress testing activities by the supervisor, not the insurer as part of its ERM. Another example, when discussing data collection, it refers to data collection by the supervisor within its jurisdiction. It does not refer to data collection by the IAIS. The ORSA serves a different purpose, which is for the insurer to have better insight in its own risks and solvency, as part of enterprise risk management. ORSAs also vary from insurer to insurer, so they may not provide the necessary information for a supervisor's macroprudential surveillance. Having said that, the

Public

Public consultation comments received on Holistic Framework for Systemic Risk in the Insurance Sector

14-Nov-18 to 30-Jan-19

Global monitoring exercise

Outcomes from the November 2018 public consultation

- General support for the IAIS recommendation to suspend G-SII identification process
- Requests for more clarity on the modalities of the global monitoring exercise
- Support for sector-wide assessment, but also concern about additional burden:
 - advocacy for leveraging existing data collections and supervisory returns
- No intention to use the ICS

Global monitoring exercise

Designed to detect the possible build-up of systemic risk in the global insurance sector

- Data collection and analysis:
 - Individual insurers
 - Sector-wide monitoring
- Forward looking, collective IAIS discussion on the assessment of risk and supervisory response
- Annual reporting to participating insurers and jurisdictions, the FSB and the general public

Systemic risk vulnerabilities

- Liquidity risk
- Interconnectedness
 - Macroeconomic exposure
 - Counterparty exposure
- Substitutability
- Other

Finalisation and plans for implementation

November 2019:

- 14 November: Adoption of the holistic framework and ICP and ComFrame by IAIS AGM
- 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