Newsletter

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INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

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Did You Know?

Did you know that recovery plans describe how to recover from a severe stress situation (caused, for example, by a natural catastrophe or sudden rise in interest rates), but are actually drafted well in advance of any sign of problems?

Calendar Notes

Please save the following dates:

- 11th Annual Global Seminar: Moscow, 26-27 July 2018.
- 25th IAIS Annual Conference: Luxembourg, 8-9 November 2018.

Watch for more information on both events in future issues of the Newsletter.

From the Secretary General

2018 will be an important year for the IAIS. We have key decisions to make on the design of ICS Version 2.0, and on the development of a holistic approach to the mitigation of systemic risk in the global insurance sector. We will also prepare a more responsive approach for providing guidance to Members on how to tackle a range of developing issues like FinTech, cyber risk and sustainability. 2018 will also be the year in which the Association sets out its vision for the next five years, through its work on a new Strategic Plan and Financial Outlook.

The Executive Committee discussed all of these important topics at its 2018 retreat in Nashville, Tennessee (USA), on 15-16 January. A stakeholder event held in conjunction with the Nashville meetings provided valuable input on both the Insurance Capital Standard (ICS) and an activities-based approach to the mitigation of systemic risk. Based on recommendations from the ICS Task Force, the Executive Committee identified key aspects of ICS for further analysis and discussion ahead of its next meeting at the end of February. Movement towards a final package for field-testing in mid-2018 was positive. The Executive Committee also provided its input into the next strategic plan, which together with input requested from other Members, stakeholders and the Secretariat, will inform our strategy.

My congratulations to the new committee leadership appointed in Nashville (see page 3), which reflects the depth and diversity of the talent within the association. It will be an extremely busy year, but with our new committee structure and leadership team now in place, we are well placed to tackle these challenges.

Jonathan Dixon, Secretary General

In Focus…

The IAIS and Insurer Governance

Having an effective corporate governance framework enables an insurer to be flexible and transparent, to make timely and sound decisions and to manage its business in a risk controlled and prudent manner. Numerous projects carried out by the IAIS reflect the importance of governance-related issues with the ultimate objective of maintaining a sound and robust insurance sector. All governance-related activities are designed to provide a comprehensive structure of standards for the supervision of governance, supplemented by materials supporting the practical application of these standards.

In November 2017, the IAIS published the *Application Paper on Group Corporate Governance*, which relies on the main conclusions of the October 2014 IAIS *Issues Paper on Group Corporate Governance; Impact on Control Functions*. It identifies good supervisory practices, along with examples, for addressing challenges specific to the governance of insurance groups. Through this work, the IAIS is trying to create a common understanding among supervisors of how to assess or evaluate the governance frameworks of insurance groups.

This Application Paper provides supervisory responses and best supervisory practices in the following areas of insurance group functioning:

- setting objectives and strategies;
- allocation of oversight and management responsibilities;
- policies and processes;
- risk management and compliance; and
- control functions.

While the Application Paper is relevant to the supervision of all insurance groups, supervisors may find it particularly useful for the supervision of insurance groups with more complex structures. It also elaborates on aspects of supervisory coordination and cooperation. In this regard, the Application Paper underlines the need for efficient cooperation between supervisors, since some activities can be carried out most efficiently where the group-wide supervisor and other involved supervisors cooperate. Supervisory cooperation is of particular importance to understand areas such as the objective and strategies of the group and the insurance legal entities that are part of the group, the decision-making process within the group, and communication across the group on various matters. In recommending good supervisory practices to address these challenges, the Application Paper distinguishes between more centralised and more decentralised governance models, where appropriate, and highlights specific supervisory practices appropriate to each approach.

Looking forward, the IAIS is developing two new application papers. Both papers draw upon the conclusions of the 2014 Self-Assessment and Peer Review (SARP) of governance-related Insurance Core Principles (ICPs). Key conclusions were already reflected in the revisions of ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance) and ICP 8 (Risk Management and Internal Controls), finalised in 2015. The focus is now on developing materials supporting practical application of these governance-related ICPs.

The first Application Paper on proactive supervision aims to support the supervision of governance of insurers in general, by addressing the challenges supervisors may encounter in detecting governance-related problems at an early stage and in reacting in a proactive instead of a reactive way. The second Application Paper under development will focus on supervision of the role and composition of the board of directors. This Application Paper is important for the supervision of the overall governance of insurers,

given the crucial role played by the board of directors in setting up and overseeing the insurer's approach to corporate governance.

Finally, the IAIS is also working on governance-related requirements as part of ComFrame, the Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs). Last year, the IAIS consulted on a significant portion of the governance-related ComFrame material, integrated with ICPs 5, 7 and 8. Some amendments are under development with the aim of aligning the governance related parts to the recently and forthcoming changes of other ComFrame parts. The IAIS plans to publish ComFrame in its entirety in mid-2018, including the material related to corporate governance. Adoption of ComFrame is slated for year-end 2019.

News Updates

IAIS Announces Leadership under New Committee Structure

Following adoption of a new committee structure effective 1 January 2018, the Executive Committee has named chairs and vice chairs for two new committees – the Macroprudential Committee and the Policy Development Committee – and filled a vacancy in the chair of the renamed Implementation and Assessment Committee. With these new appointments, the full slate of committee leadership is as follows:

Implementation and Assessment Committee

Chair: José G. "Pepe" López Hoyo (Mexico)
Vice Chairs: Li Tang (China) and Ekrem Sarper (USA, NAIC)

Macroprudential Committee

Chair: Alberto Corinti (Italy, IVASS)
Vice Chairs: Marcelo Ramella (Bermuda) and Steven Seitz (USA, FIO)

Policy Development Committee

Chair: Elise Liebers (USA, NAIC)
Vice Chairs: Paolo Cadoni (UK, PRA) and Craig Swan (Bermuda)

In addition to these committees, the IAIS committee structure carries forward the following committees under existing leadership:

Audit and Risk Committee

Chair: William Mason (Guernsey)

Budget Committee

Chair: Peter Braumüller (Austria)
Vice Chair: Ryan Workman (USA, NAIC)

Congratulations to all of the new appointees! Thanks to you and the current committee leadership for your service to the IAIS.

Stakeholder Engagement

Additional ABA Stakeholder Meeting Planned

The IAIS has scheduled an additional stakeholder meeting on an activities-based approach (ABA) to systemic risk, following the stakeholder meeting held in Nashville (USA) on 13 January. The meeting will be held at the Bank of England in London on Thursday, 1 February, 14:00 (for a 14:15 start) to 17:00 GMT.

On 8 December 2017, the IAIS released its interim consultation paper on the Activities-based Approach to Systemic Risk. The deadline for stakeholder comments to this consultation is 15 February 2018. This stakeholder event is will provide an additional forum for comments. Stakeholders are invited to make presentations on key issues related in general to the consultation document and, more particularly, to the ABA. Please note, however, that this additional forum is not a substitute for submitting all comments in writing via the IAIS consultation tool.

For interested stakeholders unable to attend the meeting in person, a call-in facility will be available (link).

Meetings and Events

Upcoming IAIS Meetings: February – March 2018

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
1 Feb	Stakeholder meeting: Activities-based Approach to Systemic Risk (London)
5-9 Feb	Capital, Solvency and Field Testing Working Group
6-7 Feb	Task Force on Systemically Important Banks and Insurers (Rome)
6-7 Feb	Governance Working Group (Cape Town, South Africa)
7-8 Feb	Macroprudential Policy and Surveillance Working Group (Hyderabad, India)
8-9 Feb	Market Conduct Working Group (Cape Town, South Africa)
21-22 Feb	Accounting and Auditing Working Group (Bonn, Germany)
21-22 Feb	Index-based Insurances Subgroup of Financial Inclusion Working Group
26-28 Feb	Parent Committees
27 Feb	Supervisory Material Review Task Force
1 Mar	Core Curriculum Task Force
1-2 Mar	Systemic Risk Assessment Task Force
6-8 Mar	GSII-Analyst Working Group (Boston, USA)
12-16 Mar	Capital, Solvency and Field Testing Working Group (Brussels)
20-21 Mar	Financial Crime Task Force (Hamilton, Bermuda)

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

Upcoming: IAIS-A2ii Regional Meeting 30-31 January, South Africa

This regional meeting will be hosted by the Financial Services Board and has been co-organised by the IAIS and the A2ii. The key objective of this meeting is to set the agenda for the A2ii-IAIS capacity building activities in Sub-Saharan Africa in 2018. The activities presented for discussion will be taken from the Regional Implementation Plan for the implementation of the IAIS ICPs developed in 2017.

Notices

2017 Annual Conference Video and Slide Presentations Available Online

The video recordings and slide presentations for the 2017 IAIS Annual Conference in Kuala Lumpur, Malaysia, are now available on the IAIS website and available for viewing. To access these items, please click here.

Committee and Subcommittee Activities

Committee Activities

Appointments of Chairs and Vice Chairs

The Executive Committee has made the following appointments:

Implementation and Assessment Committee

- Chair: José G. "Pepe" López Hoyo (CNSF, Mexico)
- Vice Chairs: Li Tang (China) and Ekrem Sarper (USA, NAIC)

Macroprudential Committee

- Chair: Alberto Corinti (Italy)
- Vice Chairs: Marcelo Ramella (Bermuda) and Steven Seitz (USA, FIO)

Policy Development Committee

- Chair: Elise Liebers (USA, NAIC)
- Vice Chairs: Paolo Cadoni (UK, PRA) and Craig Swan (Bermuda)

The Selection Committee has also appointed Michael Sicsic (UK, FCA) as Vice Chair of the Market Conduct Subcommittee.

Executive Committee

The Executive Committee met on 15-16 January in Nashville for its annual strategic retreat. Items on the agenda included the IAIS' systemic risk assessment workplan and further development of ICS Version 2.0. Being a strategic retreat, significant time was spent discussing development of the IAIS' next five-year strategic plan and financial outlook. Members discussed trends and developments expected to affect the insurance sector over the next five to seven years and potential strategic responses to these external macro-factors. This was followed by a related discussion on potential IAIS responses to emerged and emerging risks in the areas of (1) FinTech, (2) Cyber, (3) Sustainability and (4) Culture/ Conduct, which may require revisions to the 2018 Roadmap.

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Policy Development Committee*

The Policy Development Committee met via teleconference on 9 January to discuss key issues for ICS Version 2.0 ahead of the ICS Task Force and Executive Committee meetings in Nashville (USA). These include:

- Market adjusted valuation (MAV) Base Yield Curve and Adjustment to the Base Yield Curve.

- Margin Over Current Estimate.

Preceding this call, the Financial Stability and Technical Committee met via teleconference on 13 December 2017 to discuss ICS issues related to capital resources and supervisory owned credit assessment processes

** Effective 1 January, 2018, the Financial Stability and Technical Committee ceased to exist. Its standard-setting activities were allocated to the Policy Development Committee and its financial stability activities were allocated to the Macroprudential Committee, along with those of the Systemic Risk Assessment Task Force.*

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Subcommittee Activities

Accounting and Auditing Working Group

The next meeting of the Accounting and Auditing Working Group will be held in Bonn, Germany on 21-22 February. A key agenda items will be refining the draft revised ICP 20 (Public Disclosure).

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Capital, Solvency and Field Testing Working Group

The Field Testing Analysis Team (FTAT) met 4-7 December to continue the data analysis of 2017 Field Testing. The FTAT will continue meeting monthly through February 2018.

The Capital, Solvency and Field Testing Working Group (CSFWG) met in Paris from 11-15 December 2017 to discuss the results of continued data analysis for 2017 Field Testing and feedback provided by volunteers. Further refinement to several components of the ICS was discussed with a view to providing recommendations to the Policy Development Committee at its February meeting. Discussions continued on key outstanding issues such as MAV discounting and margin over current estimate.

The CSFWG hosted a Volunteer roundtable on 18 January in Basel to discuss how tax issues will be handled in the ICS. Two GAAP Plus roundtables were also held in New York City: a Volunteer roundtable on 23 January, and an Expert roundtable on 25 January. Both roundtables considered revisions to GAAP Plus to reflect new accounting rules of IFRS 17 and the expected changes from the Financial Accounting Standards Board on life insurance contracts. The next meeting of the CSFWG is scheduled for 5-9 February in Basel.

The IAIS held the last of three ICS stakeholder meetings on 13 January in Nashville, USA. A number of stakeholders presented feedback on the ICS in general and various components of the ICS. The slide decks presented during this meeting can be found on the IAIS website at https://www.iaisweb.org/page/events/stakeholder-meetings.

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Core Curriculum Task Force

The Core Curriculum Task Force has continued its regular schedule of telco meetings.

The Core Curriculum project has two phases, Phase 1 focusses on updating existing modules and making proposals for further work and review. Phase 2 then pursues this. Work has commenced on all 37 Phase 1 modules and the Case Study. Several Phase 1 modules are now in the final stages of preparation. Work is also progressing on a number of Phase 2 modules. The Phase 1 launch is scheduled for the July 2018 IAIS meetings in Moscow.

Additional volunteers are welcome and add value to the project by providing diversity of experience and perspective. Currently, there are nearly 90 contributors from roughly 40 jurisdictions.

Member registration for an upcoming information session on 1 March will be included in the registration process for the IAIS Parent Committee meetings in Basel.

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Financial Crime Task Force

The Financial Crime Task Force met on 12-14 December 2017 in Singapore. The main items discussed were the following:

- Developing an Application Paper on Supervision of Insurer Cybersecurity.
- IAIS collaboration as an Observer Organization with the Financial Action Task Force.

In furtherance of its work, the Task Force heard three presentations on the topics of AML/CFT and cybersecurity.

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Insurance Groups Working Group

At its meeting on 12-13 December 2017, the Insurance Groups Working Group discussed further resolution of comments from public consultation on the ComFrame material integrated into ICPs 9 (Supervisory Review and Reporting), 10 (Preventive Measures, Corrective Measures and Sanctions) and 25 (Supervisory Cooperation and Coordination).

The Working Group also discussed the ComFrame material related to criteria for identifying IAIGs, to be integrated into ICP 23 (Group-wide Supervision), and other issues related to the scope for the IAIGs in the context of ComFrame development.

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Resolution Working Group

The Resolution Working Group met on 10-11 January in Washington DC. An important topic for discussion was the further development of ICP and ComFrame material on recovery plans integrated into ICP 10 (Preventive Measures, Corrective Measures and Sanctions) and ComFrame material integrated into ICP 12 (Exit from the Market and Resolution).

The Working Group also discussed the potential development of (an) application paper(s) to provide supporting material to the ICP and ComFrame material in the area of recovery and resolution.

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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.

The Year Ahead: 2018 Highlights

In 2018, the A2ii will continue its focus on implementation both at the global level, supporting the work of the IAIS Implementation and Assessment Committee, as well as on the ground in the regions. Our main regional focus will continue to be Sub-Saharan Africa, Latin America and Asia; however, responding to supervisory demand, in 2018 the A2ii will organise events in the Middle East and North Africa as well as the Central European region.

Following an assessment of supervisory needs, the A2ii will continue to provide tailor-made capacity building support at a regional level. This will now include actuarial skills training for supervisors under our new five-year partnership signed in November 2017 between the IAIS, the International Actuarial Association and the A2ii.

Knowledge generation will also remain core to our agenda along with feeding the learnings from our work on the ground back into the development of new IAIS supervisory materials.

Following the launch of the A2ii Inclusive Insurance Innovation Lab at the end of 2017, the A2ii will also continue working with the country teams – Albania, Ghana, Kenya and Mongolia – to help them identify innovations in their market which have the potential to help support the growth of their domestic insurance market. Learnings from this exercise will be disseminated both regionally and globally. More specifically:

- Continuing support to IAIS standard-setting and implementation work through:
    - Development of an online portal for IAIS ICP self-assessment questionnaires enabling supervisors to get instant feedback on their compliance with individual ICPs;
    - Publication of one proportionality-in-practice case studies;
    - Participation in IAIS drafting groups under the Financial Inclusion Working Group;
    - Supporting the development of regional implementation plans in Sub-Saharan Africa and Latin America; and
    - Analysing the results of the recently conducted A2II/IAIS Review on Regulation and Supervision supporting Inclusive Insurance Markets. Providing participating regulatory authorities with individual responses as well as releasing an aggregate report.
- Facilitating peer dialogue among, regional and global supervisory communities to strengthen understanding of IAIS ICPs and share best practices on topical inclusive insurance issues:
    - Hosting supervisor-only global conference calls ('Consultation Calls') every two months in English, French and Spanish; and
    - Supporting IAIS regional coordinators and local regional supervisory associations in organising regional supervisory break-out meetings.
- Building and sharing knowledge on InsurTech by facilitating three separate multi-stakeholder dialogue events in Africa, Latin America and Asia, respectively, through a series of

"Consultative Forums" organised on the topic.

- Knowledge generation publications on topics including:
  - Index based insurance;
  - Inclusion of insurance in national financial inclusion strategies; and
  - Digital financial inclusion.
- Strengthening the A2ii foundation and long-term sustainability:
  - Adoption of an updated Charter with an updated governance structure; and
  - Start of a new funding term with an improved monitoring and evaluation system to support it.

If interested in more information on upcoming activities, please refer to the A2ii website or email the Secretariat at secretariat@a2ii.org.

Upcoming Events

IAIS-A2ii Regional Meeting for Sub-Saharan African insurance supervisors, 30-31 January, Pretoria, South Africa

This meeting is intended to set the agenda for A2ii-IAIS capacity building activities in Sub-Saharan Africa in 2018. The activities presented for discussion at the meeting are taken from the Regional Implementation Plan for the implementation of the IAIS Insurance Core Principles developed in 2017.

The programme is jointly organised by the A2ii, the IAIS and will be hosted by the Financial Services Board. A meeting of the Association of Africa Insurance Supervisory Authorities will be held along-side the AIS-A2ii Regional Meeting on 1 February.

Innovation Lab International Workshop, 28 February – 2 March, Accra, Ghana

The four country teams participating in the Inclusive Insurance Innovation Lab (Lab) will come together for a highly interactive three day workshop. The workshop will provide participants with an opportunity to learn from their international peers, while also gaining closer insights into their own domestic insurance markets. This is the second of five workshops taking place between November 2017 and November 2018.

The Lab is a collaboration between the A2ii and the GIZ Global Leadership Academy. It started in November 2017 and will run for a 12-month period. Over this period, four different multi-stakeholder country teams will first identify barriers to insurance market growth in their country before coming up with innovations to overcome these barriers. More information is available on the A2ii website (link).

Consultative Forum InsurTech: Rising to the Regulatory Challenge, 20 March, Colombo, Sri Lanka

The 12th Consultative Forum on microinsurance regulation for insurance supervisory authorities, insurance practitioners and policymakers will address the consequences of rapid technological change in the inclusive insurance sector, exploring how regulators are responding to the need for oversight, consumer protection, stability in the business and financial systems while supporting and encouraging innovation. Discussions will focus on how various stakeholders – insurance supervisors and policymakers, private sector insurance, data and technical service providers – can cooperate and align their respective roles to achieve sustainability and scale, while ensuring that clients receive fair treatment. The first of a three-part series, this Forum will be followed by two further Consultative Forums on the topic in Africa and Latin America.

The 12th Consultative Forum will take place alongside the Mutual Exchange Forum on Inclusive Insurance Public Private Dialogue 5 (21-22 March). Approximately 60 high-ranking representatives from insurance supervisory authorities, the industry and the public sector are expected to attend the event.

More information is available on the A2ii website (link).

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.

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