

Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame)



ComFrame Concept Paper

1 July 2011



Overview

- Globalisation of insurance business activities -
Globalisation of insurance group supervision
- ComFrame as supervisory response
- Contents of ComFrame
- ComFrame Concept Paper
- Next steps

Annex

International Association of Insurance Supervisors (IAIS)
Modules and Elements of ComFrame

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Globalisation insurance business activities – Globalisation of supervision

- Increasing size and relevance of Internationally Active Insurance Groups (IAIGs) in markets worldwide
- To date no globally harmonized approach based on a common framework to supervise IAIGs
- Insurance supervision has generally been a national matter focusing on solo supervision but with an approach to group-wide supervision emerging in
 - Individual jurisdictions and regions have developed methodologies of group-wide supervision
 - Previous IAIS work with the Insurance Core Principles (ICPs)
- ComFrame based on and complementing the IAIS Insurance Core Principles

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ComFrame as supervisory response

- ComFrame serves to develop methods of **operating group-wide supervision of Internationally Active Insurance Groups (IAIGs)** in order to
 - Make group-wide supervision **more effective and more reflective of actual business practices**
 - Establish a **comprehensive framework** for supervisors to address **group-wide activities and risks** and also set grounds for **better supervisory cooperation** in order to allow for a more integrated and international approach
 - **Foster global convergence** of regulatory and supervisory measures and approaches

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ComFrame as supervisory response

ComFrame principles

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ComFrame should

- become the multilateral tool of preference for assessing internationally active insurance groups
- provide meaningful value to both home and host supervisors for undertaking group supervision
- be developed through the use of existing Working Parties, complemented where needed by ad-hoc groups of the Technical Committee, with ComFrame Oversight Group and Executive Committee providing oversight
- be made up of Modules each including a specific group of Elements

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ComFrame as supervisory response

ComFrame principles

II

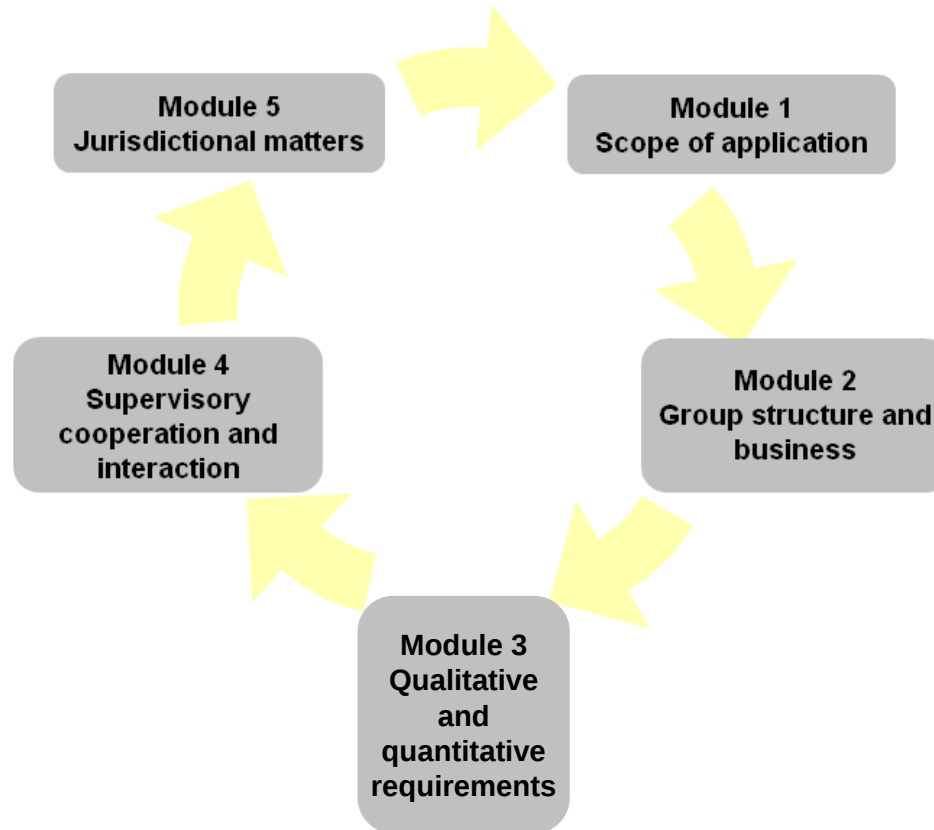
ComFrame should

- be specific, but not rules-based
- be ever-evolving (and further look into case experiences)
- be developed in close collaboration with interested stakeholders
- lead to more consistency and better comparability and alignment regarding the supervision of internationally active insurance groups being undertaken by each jurisdiction

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Contents of ComFrame



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Key features

ComFrame is a **multi-disciplinary approach** to **operationalise IAIG supervision**, based on two main parts:

A. ComFrame **holistically addresses risks** arising in IAIGs

- **Business and structure** of the IAIG from a risk management perspective
- **Qualitative requirements** re corporate governance – interaction among corporate bodies, risk management, actuarial, internal audit and other processes
- **Quantitative requirements** re liabilities and investments, valuation and capital adequacy based on comprehensive Enterprise Risk Management approach

B. ComFrame serves as framework for an **effective and efficient cooperation** among involved supervisors

Modules and Elements set out in detail in Annex



Interrelation to other initiatives

- Systemic risk?
 - ComFrame does not represent specific measures for Systemically Important Financial Institutions (SIFIs), but will also apply to, **if any**, IAIG SIFIs
- Other regulatory initiatives?
 - Solvency II is an EU, not a global framework
 - Solvency Modernization Initiative is an US, not a global initiative

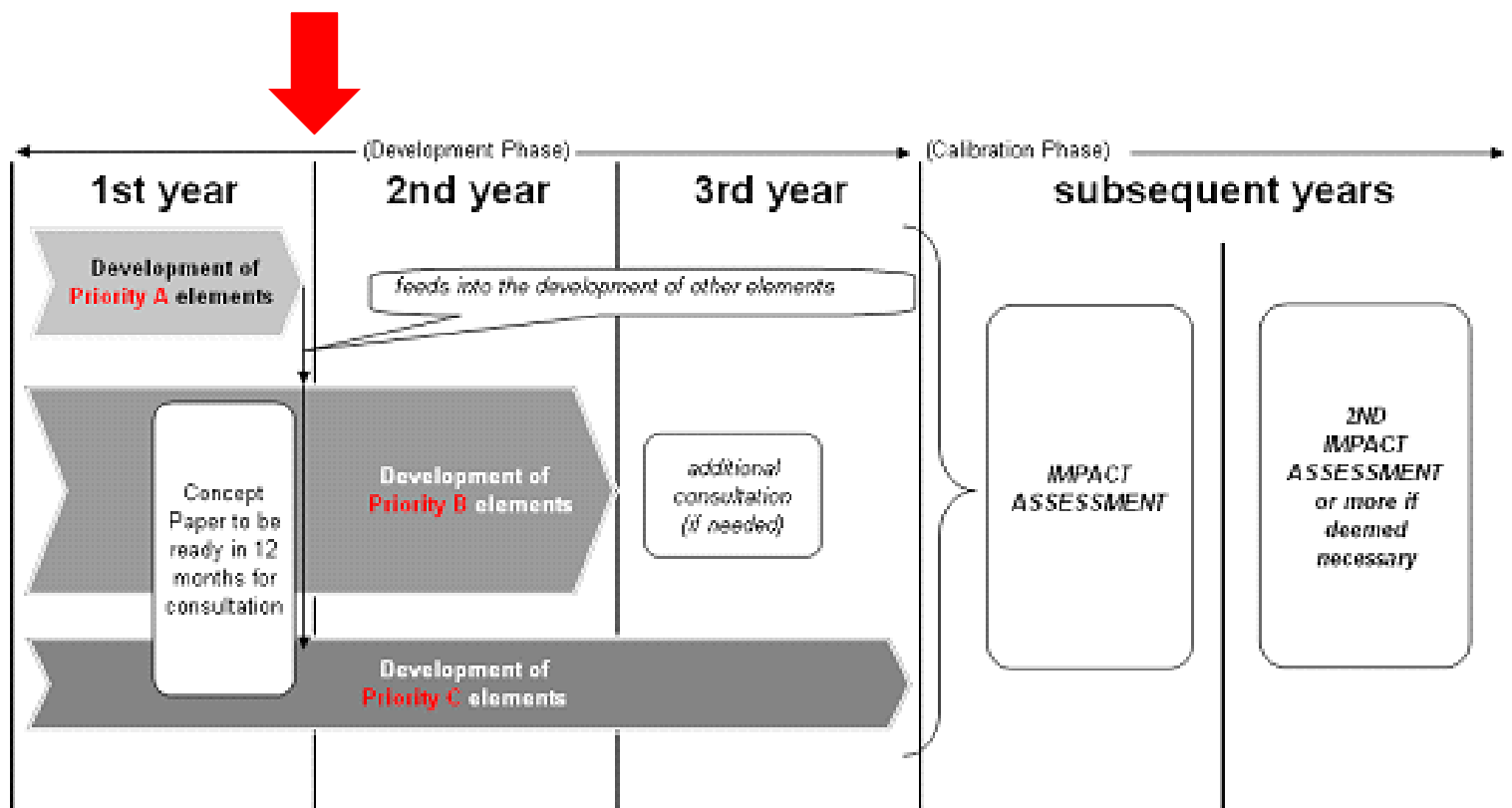


ComFrame Concept Paper

- Product of a one year conceptual development process since launch on 1 July 2010, to be followed by another two years' building phase and then a calibration phase
- ComFrame Concept Paper serves to crystallise thoughts on direction taken to date and open questions in a transparent process
- Demonstrates the commitment of the IAIS membership to developing an international framework for group-wide supervision of IAIGs

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Next steps



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Annex

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International Association of Insurance Supervisors (IAIS)

- IAIS, based in Basel, is one of three major international standard setting bodies in the financial sector, together with the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissioners (IOSCO)
- IAIS represents insurance regulators and supervisors in nearly 140 countries and 190 jurisdictions, representing 97% of the world's insurance premiums. IAIS activities are followed by more than 120 observers from the global insurance industry
- IAIS objectives are 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
 - Contribute to global financial stability

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Contents

Module 1: Scope of application

Module 1	Contents	Primarily Rests with	Priorities
Foundation	Definition of a “group” ICP23 Joint Forum principles for the supervision of financial conglomerates	Insurance Groups and Cross-sector Issues Subcommittee (IGSC)	
Element 1	Identification of internationally active insurance groups	IGS	A
Element 2	Process of identifying internationally active insurance groups	IGS	A
Element 3	Scope of ComFrame supervision	IGS	B
Element 4	Conglomerate ramifications	IGS	B

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Module 2: Group structure and business

Module 2	Contents	Primarily Rests with	Priorities
Foundation	ICP 6, 10, 11, 12 and 13		
Preventive Mode			
Element 1	Assessment of the IAIG's legal and management structures from a risk management perspective	Ad hoc group1	B
Element 2	Assessment of the IAIG's business and business mix from the perspective of managing risk	Ad hoc group1	B
Element 3	Assessment of changes to a IAIG's business and its structure	Ad hoc group1	B
Element 4	Assessment of intra-group transactions and exposures from a risk management perspective	Ad hoc group1	B
Element 5	Contingency planning for stress conditions of the IAIGs	Ad hoc group1	B
Element 6	Protocol and/or rules on contingency plans of the IAIG	Ad hoc group1	B
Element 7	Approaches regarding policyholder protection schemes	Market Conduct Subcommittee (MCSC)	C

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Module 3: Qualitative and Quantitative Requirements

Module 3	Contents	Primarily Rests with	Priorities
Foundation	ICP 14, 15, 16 and 17 ICP 5, 7 and 8	Solvency and Actuarial Issues Subcommittee (SSC) and Governance and Compliance Subcommittee (GCSC)	
Element 1	Principles of the corporate governance framework, including risk management and internal control systems		B
Element 2	Enterprise Risk Management	GCSC	B
Element 3	Liabilities/technical provisions and assets/investments	SC and Accounting Subcommittee (ASC)	B
Element 4	Valuation	SSC and Accounting and Auditing Issues Subcommittee (AAISC)	B
Element 5	Capital Adequacy	SSC	B
Element 6	Calibrations and specific measurements regarding quantitative elements	SSC	After 36 months
Element 7	Approaches to utilise these benchmarks/parameters for supervisory recognition (including the reconciliation of certain quantitative outcomes and measurements)	IGSC and others (inc SSC and AAISC)	C

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Module 4: Supervisory cooperation and interaction

Module 4	Contents	Primarily Rests with	Priorities
Foundation	ICP 3, 9, 11, 20 and 23	IGSC	
Element 1	Principle of coordination and interaction	Secretariat	B
Element 2	Identification of group-wide and involved supervisors	IGSC	B
Element 3	Group-wide and involved supervisors' roles and supervisory cooperation tools	IGSC	B
Element 4	Use of supervisory colleges	IGSC	B
Element 5	Supervisory process/review	IGSC	B
Element 6	Reliance and recognition	IGSC	B
Element 7	Crisis management among supervisors	IGSC	B
Element 8	IAIGs and resolution	IGSC	B
Element 9	List of supervisory reporting items	AAISC	C
Element 10	List of public disclosure items	AAISC	B

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Module 5: Jurisdictional matters

Module 5	Contents	Primarily Rests with	Priorities
Foundation	ICP 1,2, 3, 10, 11, 23, 24	Technical Committee	
Element 1	Applicability of ComFrame to all IAIS jurisdictions	Technical Committee	A
Element 2	Peer review and peer assistance mechanism	Technical Committee	B to C
Element 3	ComFrame data compilation platform (or mechanism) for macroprudential surveillance purposes	Technical Committee (with Financial Stability Committee (FSC) and Reinsurance Subcommittee (RSC)/Reinsurance Transparency Subgroup (RTS))	

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