



Insurance, Supervision and Trust: An Intricate Relationship

by SHIGERU ARIIZUMI
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These remarks, contributing to Starling's 2025 *Compendium*, were drafted on the heels of the World Bank Group/International Monetary Fund Spring meetings in Washington D.C. A full week of meetings spent discussing the risks and opportunities facing the global financial sector inspired me to offer the following notes on the importance of continued global cooperation and coordination, and to offer some examples of how this spirit of global cooperation has underpinned recent achievements of the IAIS and informed our future strategic plan.



Societal role of insurance

Insurance is a highly regulated and supervised business — for understandable reasons:

Firstly, insurance is intangible, it is not a product that can be touched, inspected or trialled before purchase. It is a promise to cover a loss in the future, if and when it arises, in accordance with its contractual terms. Policyholders pay their regular premiums, based on trust that, if and when the day comes that they need to claim, the insurer will be solvent, will settle their claim justly, and will treat them fairly.

Secondly, insurance plays a vital societal role. At its essence, insurance exists to build societal resilience by offering risk management, pooling and diversification of risk, and mitigation of adversities. Access to insurance also has profound societal impacts which include helping to reduce poverty, bolstering social and economic development, and advancing major public policy goals by offering financial protection against direct and indirect economic losses.

For these reasons, among others, there is strong recognition of the need to ensure a robust supervisory framework for the insurance sector — one that promotes the financial soundness of individual insurers and the stability of the sector, as well as a culture of fair treatment of customers.

Role of global standards

The IAIS' role, as the global standard setter for insurance supervision, is to [promote the development](#) of strong, stable and fair insurance markets through the effective and globally consistent supervision of the insurance industry — and to contribute to maintaining global financial stability.

This is a mission that insurance supervisors around the world are committed to. IAIS membership

comprises approximately 200 insurance supervisory authorities, covering more than 97% of global written premiums. Our diverse membership, and our inclusive approach to taking into account the varied market circumstances and priorities of our members, has been vital in driving mutual understanding and a shared commitment to addressing the [challenges and opportunities](#) facing the insurance sector.

Many of these challenges and trends are global in nature, cutting across advanced and developing economies, and many are also cross-sectoral, impacting the financial sector beyond insurance. These global challenges and trends — such as technological innovation, cyber risks, climate-related risks and insurance protection gaps — demand global solutions. Despite the complexities of varied insurance business models and supervisory structures around the world, the IAIS has proven resolute and resilient in finding shared approaches to tackling these issues, as illustrated below.

Insurance plays a vital societal role by offering financial protection against direct and indirect economic losses.

Developing and maintaining global standards

In recent years, the IAIS has focused significant efforts on addressing the fault lines exposed by the Global Financial Crisis, as well as responding to emerging risks.

The IAIS Insurance Core Principles (ICPs) form the globally accepted framework for insurance supervision and address the broad set of risks within, and posed by, the insurance sector. The ICPs promote consistently high supervisory standards in IAIS member jurisdictions. The ICPs apply to insurance supervision in all jurisdictions, and to all types of insurers, regardless of the level of development or sophistication of the insurance markets and the type of insurance products or services being supervised.

Following the Financial Crisis there was a recognition of the need for a particular focus on group-wide supervision — especially of those large, complex international groups that have the potential to introduce or amplify systemic risk in the financial system, depending on their activities.

For these large internationally active insurance groups (IAIGs), additional standards and guidance were developed, tailored to their complexity and international activity — namely the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame).

ComFrame assists supervisors in collectively addressing group-wide activities and risks, identifying and avoiding regulatory gaps and coordinating supervisory activities under the aegis of a group-wide supervisor. The qualitative element of ComFrame, covering governance and risk management requirements, was adopted in 2019. The quantitative element of ComFrame — namely the [Insurance Capital Standard](#), or ICS (see below) — was adopted in December 2024.

In addition, the Global Financial Crisis highlighted the importance of supervisors not only focusing on microprudential supervision of the financial soundness of individual insurers, but also the potential build-up of systemic risk arising from sector-wide activities through macroprudential supervision. In 2019, the IAIS adopted specific ICP and ComFrame standards related to macroprudential supervision, as part of the IAIS' Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector.

Most recently, alongside the adoption of ICS, the IAIS also adopted a [targeted update](#) to the ICPs related to climate risk, recovery and resolution, and valuation and capital adequacy.

We now have in place a comprehensive package of standards, and accompanying supervisory guidance

on their practical implementation, covering financial soundness, market conduct, and financial stability supervisory objectives.

Insurance Capital Standard

The adoption of the ICS in December last year was a monumental achievement for the IAIS, its members and stakeholders — marking a continued resolve to find global solutions, while recognising jurisdictional differences.

The ICS is the first comprehensive global capital standard for insurance. It provides a common language for the cross-border group-wide supervision of the solvency of IAIGs. By promoting consistency, transparency, and comparability in the assessment of insurers' financial health, it will enhance the effectiveness of global insurance supervision and strengthen the resilience of the global insurance sector.

The ICS will be a truly global standard, with commitment to implement it across every region of the globe. Several members have already taken steps to embed it in their regulatory regimes. In the coming years, the IAIS will place a heightened emphasis on comprehensive and consistent implementation of the ICS across jurisdictions (see below).

Holistic Framework and systemic risk

Since the adoption of the [Holistic Framework](#) in 2019, it has proven to be an incredibly effective tool in supporting a coordinated supervisory response to global challenges that require a global response.

Through the IAIS' annual Global Monitoring Exercise (GME), which is a key element of the Holistic

The Global Financial Crisis highlighted the importance of systemic risk arising from sector-wide activities.

Framework, we have significantly improved our ability to identify and monitor risks in the insurance sector. Coupled with the macroprudential policy measures contained in the ICPs and ComFrame, designed to increase the overall resilience of the insurance sector and help prevent insurance sector vulnerabilities from developing into systemic risk, the GME provides a strong yet flexible framework that supports the supervisory community to assess and address both “inward” and “outward” financial stability risks.¹ Our GME provides an important empirical basis, covering more than 90% of global written premiums.

Since the Holistic Framework was finalised, at end-2019, our implementation assessment work points to significant advances by supervisors around the world in strengthening their macroprudential surveillance and enhancing their corresponding macroprudential toolbox. This has certainly contributed to the continued overall resilience of the sector — which is crucial considering the series of challenging external events and macroeconomic uncertainties we have faced in recent years.

Market conduct and consumer protection

In relation to supervisory objectives of consumer protection, the ICPs describe clear roles and responsibilities for insurers’ market conduct, including on corporate governance, suitability of key persons, risk management and internal controls, public disclosure, and conduct of business by insurers and intermediaries. The ICPs also describe clear roles and responsibilities for fair treatment of customers, as well as for the practical embedment of this expectation across the various levels and functional areas of the insurer.

An insurer’s culture is a key determinant of how effectively it manages both prudential and conduct risks. Culture is crucial for insurance supervisors because it underpins the decisions, behaviours, and practices that influence an insurer’s financial soundness, customer treatment, and overall integrity. Supervisory focus on culture helps identify vulnerabilities, mitigate misconduct risks, and promote public trust in the insurance sector.

The 2021 [Issues Paper on Insurer Culture](#) explored the role of insurer culture as a point of intersection for managing prudential and conduct risks and mitigating misconduct. It also set out various cultural drivers including company values, business objectives and strategy, leadership accountability, internal

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communication, remuneration and performance management and describes how they can influence certain prudential and conduct outcomes within an insurer.

In the years since this Issues Paper, the IAIS has continued to facilitate the sharing of related supervisory experiences, perspectives and approaches amongst insurance supervisors. This has included on the topics of how remuneration policy and practice can drive good or bad outcomes for both the insurer itself and its customers, and risks such as groupthink, lack of challenge, less innovation, systemic misconduct going undetected and a reduced understanding of customers’ needs that can arise if there is not [diversity in an insurer’s workforce](#) and leadership supported by inclusive practices.

Recent IAIS application papers on the supervision of artificial intelligence (recently under consultation) and the supervision of climate-related risks (recently published in final) have explicitly recognised the conduct risks and set out mitigating guidance for insurers and supervisors on governance and risk management expectations. Another [recent paper](#) has focused on how to ensure fair treatment of customers,

including a diverse range of consumers, by embedding it as a priority in the business culture and throughout the product lifecycle.

The IAIS has also been working to support conduct supervisors desire to adopt more outcomes-based approaches to conduct supervision, rather than compliance-based. Supervisors are striving to be forward-looking to prevent, or at least mitigate, consumer harm instead of only learning of misconduct after the fact but at the same time supervisors face resource constraints and competing priorities. The IAIS developed a significant resource for members on the use of [conduct indicators](#) providing guidance and examples shared by members of how to draw informative, actionable and well-targeted indicators from data collections.

Supervisors are striving to be forward-looking.

platforms — which provide practical examples of how to effectively apply supervisory requirements in practice, including in responding to a range of emerging risks and trends, such as protection gaps and digital innovation.

Thirdly, the IAIS has continued to strengthen its implementation assessment framework, applying a range of tools, from intensive implementation assessments undertaken by the IAIS to building the capacity of IAIS members to undertake their own assessments.

This has contributed to strong observance of our agreed standards, which not only enhances the resilience of the sector, but also helps reduce regulatory fragmentation.

Comprehensive and consistent implementation of standards

While the intensive standard setting efforts by the IAIS and its members have been critical in supporting policyholder protection and a safe and stable global insurance sector, it is also true that global standards are only as impactful as their application and implementation.

Closing protection gaps will require an intensified global collaborative effort.

We promote the implementation of IAIS standards in a number of ways:

Firstly, the IAIS' inclusive and consultative approach to the development of our standards ensures that they are "implementable", in the sense of benefiting from consultation feedback and engagement and appropriately accommodating jurisdictional differences while ensuring comparable outcomes.

Secondly, the IAIS provides implementation support — such as our Application Papers, members-only guidance documents and supervisory peer-exchange

Strategic Plan 2025-2029

Following an intensive period of standard-setting, the focus of the IAIS in its [2025-2029 Strategic Plan](#) will shift to enhanced monitoring and assessment of

potential vulnerabilities in the global insurance sector and a greater emphasis on supporting comprehensive and globally consistent implementation of the IAIS' global standards.

The Strategic Plan 2025 to 2029 also identifies three strategic themes that cover, firstly, strengthening the supervisory response to climate change, secondly supporting adaptation to increasing digital innovation and cyber risks, and lastly, supporting insurance to serve its critical societal purpose of building resilience.

Our third strategic theme speaks to how insurance supervisors play an important role in supporting, and indeed shepherding, insurers to deliver on their societal purpose, and includes a multitude of topics around protection gaps, financial inclusion and fair treatment of customers that will require multistakeholder collaboration and solutions.

Embedding consumer engagement

To this end, the IAIS recognises the need to regularly engage with a range of diverse stakeholders, from industry representatives to consumer organisations to ensure stakeholders are appropriately consulted on the development of IAIS policy, as well as to enhance the relevance of its policy development and engage on developments in the sector.

The IAIS has expanded its engagement with organisations that give voice to the consumer perspective and experience, such as consumer advocacy organisations, think tanks and academics. Through these engagements, we have canvassed consumer groups' insights on the implications for consumers from insurers' use of artificial intelligence, consumer behaviours and experiences related to natural catastrophe protection gaps, the needs of consumers with diverse characteristics or experiencing vulnerability, and the limitations of sales disclosure to consumers. Our commitment to the consumer voice coalesces with our increasing focus on whether insurance products and services are truly meeting societal needs, and the role insurance supervisors can play in this regard.

Collaboration with SSBs and International Organisations — NatCat protection gaps

Through close collaboration and exchange amongst international organisations and other Standard Setting Bodies, the IAIS can provide its members with a better understanding of global developments, engage in dialogue, and ensure, as far as possible and relevant, a coordinated and consistent approach amongst institutions to ensure the holistic monitoring, assessment and response to emerging trends and developments.

One critical issue we are faced with is the increasing frequency and severity of natural catastrophe (NatCat) events — resulting in increasing protection gaps in many parts of the world. These challenges extend beyond the insurance sector and can affect the broader financial system and society at large, such as through increased credit risk in real estate portfolios of the banking sector. Addressing challenges related to availability and affordability of insurance has become increasingly topical, as we see examples from all over the world of significant damage and economic losses caused by natural catastrophe (NatCat) events.

The IAIS has devoted considerable efforts to this issue in recent years, culminating in the 2023 "[Call to action](#)" which makes it clear that addressing protection gaps is vital for all supervisors, regardless of mandate. It presents a range of supervisory actions that can be taken to combat challenges related to affordability, availability and take-up of insurance coverage against NatCat events.

**Global challenges
require global solutions.**

Closing protection gaps will require an intensified global collaborative effort amongst policymakers, supervisors, and the insurance sector. In an example of successful collaboration with other partners, in 2024 the IAIS and OECD supported the G7 publication of a High-Level Framework for Public-Private Insurance Programmes (PPIP) against Natural Hazards. The G7 Framework underscores that narrowing the protection gap requires a collaborative effort between multiple parties, including governments, insurance and the insurance sector, and sets out important parameters for the successful design and implementation of such public-private schemes.

Building on our previous collaboration with the OECD and IMF, our growing involvement in the global policy-setting space is reflected in our recent invitation to contribute to the G20 Sustainable Finance Working Group (SFWG), under the South African G20 Presidency. To that end, we are currently developing a paper focused on multi-party solutions to addressing

NatCat insurance protection gaps, providing insights to support global efforts.

Partnering with the World Bank and informed by a survey of our members — particularly those from emerging market and developing economies — we are outlining practical approaches. These insights will also support the World Bank's Finance and Prosperity report, showcasing the alignment of our work with broader international efforts. Our involvement in the G20 process has also provided a platform to engage with a broad range of partners with expertise on this topic, including the Consultative Group for Assisting the Poor (CGAP), the Insurance Development Forum (IDF), the ILO, the OECD, and the UN World Food Programme to name some.

Tackling insurance protection gaps and fostering long-term societal resilience to NatCat risks requires decisive and coordinated action from all stakeholders. The role insurance supervisors can play in finding multi-party solutions to this challenge will remain a priority for the IAIS.

Conclusion

Within the IAIS there is a continued recognition that global challenges require global solutions, grounded in cross-border supervisory coordination and cooperation, and robust stakeholder engagement.

Our recent achievements and future-oriented strategic plan demonstrate that the global insurance supervisory community remains dedicated to engaging in meaningful dialogue and coordinated action to address global issues — building upon our strong track record

of finding a common way forward, through active dialogue and leveraging the strong social capital among members that we have built up in recent years.

Remaining steadfast in its mission, the IAIS is committed to fostering resilient, fair and inclusive global insurance markets that serve and protect policyholders effectively. We will continue to support our members across the full range of supervisory mandates, including financial stability, policyholder protection, fair treatment of customers, financial inclusion and market development. These efforts support insurance to better serve its societal purpose and to strengthen trust in the insurance sector for the long-term.



Shigeru Ariizumi is Vice Minister for International Affairs of the Financial Services Agency (FSA) of Japan. He plays leading roles in various international fora. He is a member of the FSB Plenary and serves as the Chair of the Executive

Committee of the IAIS and the Vice Chair of the Board of IOSCO. Before assuming his position in July 2023, he held key positions at the Ministry of Finance (MOF) and the FSA. At the MOF, he worked as G7/G20 Deputies Deputy in the Finance Track and also supervised Japan's relationship with the IMF and the World Bank. At the FSA, he led the team under Japan's G20 Presidency in 2019. He also has extensive experience in supervision, holding senior management positions in all banking, securities and insurance.

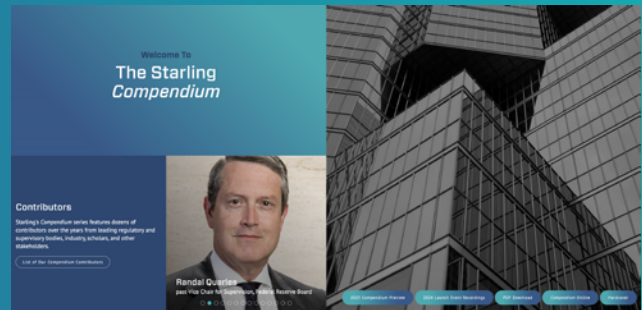
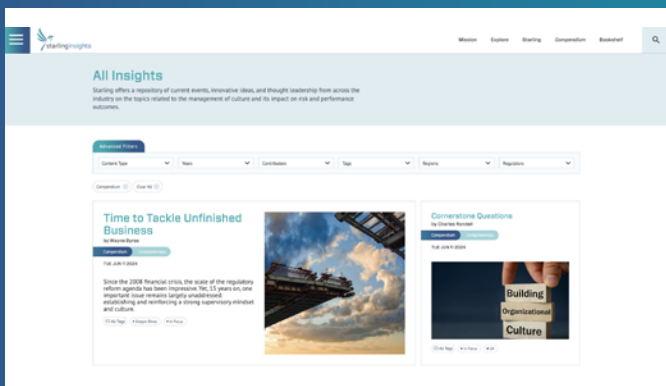
ENDNOTES

- 1 "Inward" financial stability risks refer to risks that originate from external factors (such as macroeconomic shocks), which can have a destabilising impact on the insurance sector. "Outward" financial stability risks, in contrast, refers to vulnerabilities within the insurance sector that can spill over and affect the broader financial system or real economy.

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