



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

20 December 2013

Dear IAIS Members:

Please find attached the Systemic Risk Management Plan (SRMP) guidance that was drafted by the IAIS Financial Stability Committee and approved by the IAIS Executive Committee.

This document builds on the G-SII Policy Measures which were published on the IAIS website on 18 July 2013 (<http://www.iaisweb.org/G-SIIs-988>) and which state that the group-wide supervisor should oversee the development and implementation of a SRMP by each global systemically important insurer (G-SIIs). The purpose of this document is to provide further guidance to group-wide supervisors on how they could direct G-SIIs to develop SRMPs.

Not all members will find the SRMP guidance applicable as only a relatively small number of jurisdictions are, or may become, group-wide supervisors of G-SIIs. However, it is important that a common understanding develops amongst all supervisors on what is expected from insurers that have been designated as G-SIIs. Furthermore, the cross-border activities of G-SIIs make the SRMP guidance relevant for host jurisdictions/supervisors.

Jurisdictions that are group-wide supervisors of G-SIIs are requested to provide copies of the SRMP guidance to those G-SIIs. It is intended that the guidance will be made available on the IAIS public website by early-January.

Should you have any questions with respect to the guidance, please refer them to John Maroney, Head of Financial Stability, at the IAIS Secretariat (john.maroney@bis.org).

Best regards

Elise Liebers
Acting Chair, Financial Stability Committee

Guidance for Systemic Risk Management Plans (SRMP)

All global systemically important insurers (G-SIIs) are required to produce SRMPs. The purpose of this document is to provide guidance to group-wide supervisors (GWS) on how they would direct applicable G-SIIs to develop SRMPs.

A. Background

The G-SII Policy Measures Paper¹ describes the SRMP as a report that presents, in a coherent and summary fashion, all applicable measures the G-SII intends to undertake in order to address its systemically risky activities.

B. Basic Assessment

The process for developing a SRMP begins with the GWS informing the firm that it has been designated by the Financial Stability Board as a G-SII. The GWS should meet with the G-SII to explain why the firm was designated and to identify the key factors that led to it being designated.² At this time, the GWS should articulate any supervisory objectives (goals or preferred actions) that the G-SII may consider in deciding how to address the risks that led to its designation. If needed, the GWS should explain the methodology and answer questions in regards to its interpretation.³

C. G-SII Statement

At the direction of the GWS, the G-SII would prepare the SRMP. The SRMP should provide a brief description of the key factors that resulted in its designation as a G-SII and a brief statement of how it plans to respond to its designation. This statement should include an explanation of its strategy for managing, mitigating or reducing its overall potential systemic risk impact. If the G-SII plans to continue and possibly expand the activities that resulted in its systemic importance, then it needs to explain how it plans to adequately manage and mitigate those risks. If it plans to reduce or eliminate any of those activities, then the plans to do so should be stated clearly and succinctly. If applicable, the document should discuss whether and how its enterprise risk management practices are sufficient to manage on-going risks.

D. Detailed Explanation

As discussed in the Policy Measures document, the SRMP can be a helpful tool for the G-SII in expressing how it intends to comply with the regulatory goals associated with its designation. Towards this goal, the G-SII should explain, in a suitable degree of detail, how it plans to manage, mitigate or reduce its systemic risk.

An SRMP should include the following elements:

- A reference to its liquidity management planning (e.g. as documented in a liquidity management plan) in order to explain how the G-SII intends to manage potential higher liquidity risks.
- A reference to its recovery plan and how that plan would mitigate the systemic risks in a potential recovery situation. Again, the GWS should take into consideration that G-SIIs designated in July 2013 need to produce the SRMP before the deadline for

¹ This is available at: <http://www.iaisweb.org/G-SIIs-988>

² The GWS provide information on the designation decision to the extent permitted by any applicable restrictions such as confidentiality agreements or statutory limitations.

³ The methodology was publicly reported in IAIS Initial Assessment Methodology, July 18, 2013. This is available at <http://www.iaisweb.org/G-SIIs-988>.

the Recovery Plan and thus the reference may be of an abstract nature and may be amended in the future.

- An outline of its intra-group financial transactions, including especially guarantees as well as reinsurance/retrocession granted within a group, with respect to its effects on the overall risk and risk distribution.
- A description of linkages to other measures that are related to the plans to manage, mitigate or reduce its systemic risk.
- A brief explanation of the Recovery Triggers that require a reassessment of Recovery Plans. (Refer to FSB’s Guidance on Recovery Triggers and Stress Scenarios – 16 July 2013)
- A statement that G-SII’s Board of Directors, Supervisory Board (if relevant) and their relevant subcommittees have approved the plan.

In addition, the following elements should be included in the SRMP; depending on the G-SII decision:

- If the G-SII decides to continue or grow any or all of the systemically risky activities, then it will provide an explanation of how these activities, and the amount of those activities, is adequately managed or mitigated, so as to address their potential for resulting in systemic impact on the financial system or the overall economy.
- If it decides to reduce or discontinue any or all of the systemically risky activities, an outline of the planned timeline for that is needed.
- If the G-SII’s strategy is to raise additional capital, then it should provide a plan for how and when it will accomplish this objective.
- If the G-SII’s strategy involves the effective separation of its non-traditional, non-insurance activities, then details about the envisaged timeline and the measures to be taken in order to achieve the separation. In particular, the relevant IAIS criteria on effective separation should be addressed, including how the G-SII will treat the systemic activities in the new separated entity.

Finally, the SRMP should include succinct explanation of why steps - as outlined above – that it plans to take are adequate to address the systemically relevant activities.

E. Process for formulating and updating the SRMP

The following is a template for how the development of the SRMP may proceed. The GWS may decide to have a more granular approach:

1. The GWS informs the G-SII of the designation decision and explains the key factors that led to its designation.
2. The G-SII drafts an SRMP in a manner consistent with the IAIS Policy Measures and GWS guidance.
3. The GWS reviews the draft SRMP and the proposed measures in addressing systemic risks. The GWS invites reviews from relevant members of the Supervisory College.

Time table for the first cohort of G-SIIs:

July 2014	SRMPs to be completed (one year from designation)
By July 2016	Implementation of SRMPs to be assessed (36 months from designation)