



“Important Years Ahead for the IAIS”

Introductory Address by Jonathan Dixon
PROGRES Seminar
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Introduction

Good afternoon, Thank you for the kind introduction and warm welcome. It is a pleasure to be able to participate in this year’s programme and to join the stimulating exchange of perspectives among the leading voices of the insurance sector.

2019 is an important year for the IAIS –

Firstly, it is our 25th Anniversary. Looking back over the past 25 years, the IAIS has evolved into the global standard setting body for insurance supervision and, in collaboration with our stakeholders, built a global community for discussing challenges and opportunities for insurance and insurance supervisors.

Let me pause here to express my appreciation for the contributions made by so many of you in this room to this global dialogue.

But, looking forward, and as the title of my talk suggests, 2019 also kicks-off “Important Years Ahead”. It marks an important milestone – in 2019 we finalise the development phase of the post-crisis reform agenda and pivot towards our next 5-year strategic plan.

As supervisors, our core mandate is policyholder protection and financial stability. But increasingly insurance supervisors are being drawn into important societal debates. Recognition of this trend has figured strongly in the development of our strategic plan.

From my own experience, as former head of insurance supervision in South Africa, I can speak to the challenge of balancing mandates. In developing jurisdictions, if inclusive and sustainable growth is not achieved, then ultimately this threatens financial stability and policyholder protection. It is also not clear that the job of policyholder protection is truly achieved if there remain millions of potential policyholders who have no protection at all. Creating an enabling supervisory framework to address the protection gap is an imperative, not a debate.

2019 and beyond

Speaking to the specifics of our new Strategic Plan, we recognised the need to shift our

emphasis. To illustrate, let me focus on three messages:

1. Finalising the post crisis reforms

First, our immediate challenge is to finalise our part of the post-crisis reforms agenda—recognising that financial stability is a necessary condition for effective policyholder protection. This agenda includes the ICS and the holistic framework for mitigating systemic risk. Coming fresh from our Executive Committee meeting yesterday, I am happy to say that these commitments remain very much on track. Hard work remains – but all our members remain committed to completing the development phase of these projects by November this year.

On the qualitative components of ComFrame, we are almost there. We are busy refining the proposed standards, based on comments received, ahead of finalisation in November. Now our attention has shifted to supporting the implementation of these qualitative standards from 2020 onwards.

On the quantitative component of ComFrame – or our global ICS – intensive design and field-testing work continues. I am happy to announce that yesterday our ExCo achieved full agreement on what we want to Field Test in 2019 and now we will work out the technical details ahead of the launch of field testing at the end of April, which will help inform our final decisions, by the end of the year, on the design of ICS Version 2.0 for the 5-year monitoring period.

Our focus will now also shift to preparations for this monitoring period, involving confidential reporting to supervisory colleges. We will communicate more about this after our next ExCo meeting in June this year. But a few things to note:

- As the name implies, during the monitoring phase we will monitor and review the appropriateness of the design of ICS and its usefulness as a tool to help group-wide supervisors do their job better. This will involve practical feedback from supervisors – but equally important it will include feedback from IAIGs on challenges with applying ICS or unintended consequences for parts of the business – including any implications for long-term business.
- By the end of the monitoring period we will have one global ICS, with the objective of globally consistent group-wide supervision of IAIGs across the world. To be clear, the objective is not to raise overall capital levels in the global insurance sector – and our calibration of ICS will be tailored accordingly.
- Lastly, during the monitoring period, we will also have a key discussion within the IAIS about implementation of this single ICS – and in particular, the criteria for assessing whether the Aggregation Method being developed by the US provides comparable outcomes to the ICS, and, if so, an outcome-equivalent approach for the implementation of ICS.

On the Holistic Framework we have made good progress and the comments that we received during the consultation period have been encouraging. Many of the comments requested further clarity on areas that we had already identified for further work, while being supportive of the general direction. We have 3 key workstreams going forward, further developing: 1) the pre-emptive policy measures and supervisory powers of intervention; 2) the global monitoring framework (both individual and sector-wide assessment); and 3) the approach to robust assessment of implementation.

We will provide an update in June at our Global Seminar, followed by the public consultation on the detailed proposals.

2. Pivot towards implementation

As we finalise these standards, we will pivot to implementation of these standards and effective supervisory practices.

Supporting observance and understanding of our supervisory material has always been an important part of the IAIS' work. Looking forward, we will be further strengthening this implementation assessment work – including for the qualitative components of ComFrame, but most urgently for the policy measures forming part of the holistic framework, given the review of implementation scheduled for November 2022, in terms of our commitment to the Financial Stability Board. This assessment will need to be robust, with an emphasis on globally consistent application.

3. Meeting the challenge, risks and opportunities around emerging trends

Lastly, and third, the IAIS will continue to be forward-looking and help shape supervisory responses to the emerging insurance landscape on issues such as FinTech, cyber risk, climate risk, and sustainable finance. Our focus will be on guidance on effective supervisory practices, rather than new standards. Let me update you on the important work we have been doing in this area this year and our agenda looking forward.

Fintech

We recently launched a FinTech forum for supervisors to exchange perspectives and to feed into the development of supervisory guidance. Several key insights are already emerging from topics discussed by the Forum, for instance around “outsourcing arrangements”, use of “regulatory and supervisory technology” and the “use of ethical data in an era of Big data”. The Forum is currently exploring how best to start including stakeholders into its discussions, and we will be able to update you on this soon.

Cyber Risk

On cyber risk, we completed our Application Paper last year on supervisory practices to manage cyber resilience in the insurance sector. Our attention has now shifted to the other side of the

coin: insurers taking on cyber risk through cyber underwriting. Our interest as supervisors is in ensuring that this cyber business is being done in a sustainable way – and we have established a group to explore the role of insurance supervisors in this regard, including with respect to cyber risk data. Again, this is an issue on which we will reach out to stakeholders.

Climate Risk

Last year we published, together with the Sustainable Insurance Forum (SIF), our groundbreaking paper on Climate Change Risks to the Insurance Sector. Our attention is now shifting to implementation actions, with disclosure being a core focus, utilizing the Financial Stability Board's TCFD recommendations. The IAIS and SIF are working on a Paper to build awareness of climate-related disclosures, use of scenarios and metrics and supporting the development of best practices to be considered by insurers in their financial disclosures.

Sustainable finance

Lastly, on sustainable finance, I can report that the IAIS has decided to investigate the issue of whether to have a differential treatment for qualifying infrastructure investments in the ICS. Our work will consider the right assets to focus on, appropriate definitions and criteria for qualifying investments, collection the necessary data to track performance, and whether adjustments to the standardised capital requirements can be justified. We plan to set out what this will precisely entail and the timing of the various phases of the work later this year.

CONCLUSION

In conclusion, it is clear that insurance will play a critical role in the major trends and challenges facing society in the years ahead. It is a challenging, but also exciting, time for the IAIS.

As a community of supervisors, we recognise that a collaborative effort is required. Last year, on this platform, I stated my commitment to strengthening the IAIS' stakeholder engagement activities. I hope this is now evident.

We stand ready to play our part on these important topics and I look forward to the important conversations to come.

Thank You

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