INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

Public

Frequently Asked Questions: IAIS Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame)

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1 What is ComFrame?

The Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), adopted by the IAIS on 14 November 2019, establishes supervisory standards and guidance focusing on the effective group-wide supervision of internationally active insurance groups (IAIGs).

ComFrame is a comprehensive and outcome-focused framework aimed at facilitating effective group-wide supervision of IAIGs, by providing qualitative and (in a future phase) quantitative supervisory minimum requirements tailored to the international activity and size of IAIGs. This should help supervisors address group-wide risks and avoid supervisory gaps. One of the main objectives of ComFrame is to support coordination of supervisory activities between the group-wide supervisor and other involved supervisors. As such, ComFrame will provide supervisors with a common language for the supervision of IAIGs.

By coordinating supervisory activities and the exchange of information about IAIGs between group-wide and other involved supervisors, the implementation of ComFrame should result in more efficient supervisory processes, for the benefit of both supervisors and IAIGs.

2 What is the relationship between ComFrame and the Insurance Core Principles (ICPs)?

ComFrame builds on, and expands upon, the high-level standards and guidance currently set out in the IAIS Insurance Core Principles (ICPs) which generally apply on both an insurance legal entity and group-wide level.

The ICPs are the globally accepted requirements for supervision of the insurance sector. The ICPs apply to insurance supervision in all jurisdictions regardless of the level of development or sophistication of the insurance markets and the type of insurance products or services being supervised. They are structured to allow a wide range of supervisory approaches and processes to suit different markets and the range of insurance legal entities and groups operating within these markets.

However, IAIGs may need tailored and more coordinated supervision across jurisdictions due to their complexity and international activity. As a result, ComFrame provides additional standards and guidance to assist 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.

3 How will ComFrame be implemented?

ComFrame is a part of IAIS supervisory material. This includes ComFrame standards and ComFrame guidance (see question 4 below) that specifically apply to the supervision of IAIGs. As with all IAIS supervisory material, IAIS Members commit to implement ComFrame taking into account specific market circumstances, in pursuit of the mission of the Association – namely, 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.

4 How is ComFrame structured?

The IAIS ICPs apply generally to supervision of all insurers within a jurisdiction, which includes IAIGs. ComFrame builds upon the ICPs and provides additional standards and guidance specific to the supervision of IAIGs. ComFrame material is presented in blue boxes within the relevant ICP material, following a similar hierarchy:

- ComFrame Standards – the primary level in the ComFrame hierarchy which builds on specific ICP Principle Statements and/or ICP Standards. ComFrame Standards are outcomes-focused, specific requirements for supervisors. ComFrame Standards are presented in bold font.
- ComFrame Guidance – the secondary level in the hierarchy which provides support for ComFrame Standards. ComFrame Guidance is intended to facilitate the understanding and application of a ComFrame Standard; it does not represent any requirements. Where appropriate, ComFrame Guidance provides examples of ways to implement a ComFrame Standard. ComFrame Guidance is presented in regular font.

5 What are the areas covered by ComFrame?

In addition to ComFrame-specific material in the Introduction and Assessment Methodology, ComFrame is integrated into the following ICPs:

- ICP 5 (*Suitability of Persons*);
- ICP 7 (*Corporate Governance*);
- ICP 8 (*Risk Management and Internal Controls*);
- ICP 9 (*Supervisory Review and Reporting*);
- ICP 10 (*Preventive Measures, Corrective Measures and Sanctions*);
- ICP 12 (*Exit from the Market and Resolution*);
- ICP 15 (*Investments*);
- ICP 16 (*Enterprise Risk Management for Solvency Purposes*);
- ICP 23 (*Group-wide Supervision*);
- ICP 25 (*Supervisory Cooperation and Coordination*).

A quantitative component of ComFrame, the risk-based global Insurance Capital Standard (ICS), is presented as a stand-alone document (ICS Version 2.0 for the monitoring period) and not yet presented as ComFrame material integrated into the ICPs. However, ComFrame does include requirements related to reporting the reference ICS and relevant discussions in the supervisory colleges (see the answer to question 8 for more detail).

6 What is an Internationally Active Insurance Group (IAIG)?

The group-wide supervisor (GWS) is responsible for identification of IAIGs, in cooperation with other involved supervisors, after considering whether a group meets both the following criteria, provided in ComFrame:

- Internationally active:
  - Premiums are written in three or more jurisdictions; and
  - Gross written premiums outside of the home jurisdiction are at least 10% of the group's total gross written premiums.
- Size (based on a three-year rolling average):
  - Total assets are at least USD 50 billion; or
  - Total gross written premiums are at least USD 10 billion.

In limited circumstances, described in ComFrame guidance, the GWS has discretion to determine that a group is not an IAIG even if it meets the criteria or that a group is an IAIG even if it does not meet the criteria.

7 Is a list of IAIGs publicly available?

From early 2020, the IAIS will compile a public register of IAIGs that have been publicly disclosed by GWSs. The register will be accompanied by information on its completeness, ie a comparison of the number of publicly disclosed IAIGs with the total number of IAIGs that have been identified by GWSs based on meeting the IAIG criteria or the exercise of supervisory discretion. The public register will be regularly updated, based on information received from GWSs on any changes and new disclosures, which should be provided to the IAIS as soon as they are made.

8 Does ComFrame include a global insurance capital standard?

The IAIS is developing a risk-based global ICS, applying to IAIGs.

The IAIS' ultimate goal, by a date yet to be determined, is a single ICS that includes a common methodology by which one ICS achieves comparable, i.e. substantially the same, outcomes across jurisdictions. Ongoing work is intended to lead to improved convergence over time on the key elements of the ICS towards the ultimate goal. Not prejudging the substance, the key elements include valuation, capital resources and capital requirements.

In November 2019, the IAIS adopted ICS Version 2.0 for the monitoring period, which is being used during a five-year monitoring period for confidential reporting to group-wide supervisors and discussion in supervisory colleges. The ICS is not used as a group-wide Prescribed Capital Requirement (PCR) during the monitoring period. The purpose of the five-year monitoring period is to monitor the performance of the ICS over a period of time, and not the capital adequacy of IAIGs. Therefore, ICS results will not be used as a basis to trigger supervisory action and IAIGs are not expected to manage their business to the ICS.

ICS Version 2.0 for the monitoring period is presented as a stand-alone document. However, ComFrame does include standards according to which:

- the group-wide supervisor requires the head of the IAIG to report the reference ICS and, at the option of the group-wide supervisor, any additional reporting related to the ICS; and
- members of the supervisory college discuss and assess a summary of the reference ICS prepared by the group-wide supervisor, as well as a summary of any additional reporting.

In the second phase of implementation of the ICS, the ICS will be implemented as a group-wide PCR for IAIGs. At that point, the ICS will be integrated into the rest of ComFrame.

More information about the ICS can be found on the ICS webpage (link) and the Press Releases webpage of the IAIS page (link).

9 What is the relationship between ComFrame and the Holistic Framework?

One key element of the Holistic Framework for the assessment and mitigation of systemic risk in the global insurance sector is the supervisory material, which includes an enhanced set of supervisory policy measures for macroprudential purposes, and preventive and corrective measures to enable a prompt and appropriate response to address financial stability risks. With the holistic framework, there is a move away from the previous binary approach, which saw a set of pre-determined policy measures applied only to a small group of identified Global Systemically Important Insurers (G-SIIs), toward a proportionate application of an enhanced set of policy measures to a broader portion of the insurance sector. Therefore, the material is contained in the ICPs and ComFrame and has a broader application.

The exact scope of application varies. Some material is contained in the ICPs, other material is contained in ComFrame. Also, there are some Standards (or a part thereof) that the supervisor is required to apply beyond IAIGs to other insurers "as necessary", based on the nature, scale and complexity of the insurer's activities that may lead to increased systemic risk exposure, which in most jurisdictions will only be a subset of the insurance sector. This is to reflect the view that the criteria for being an IAIG (ie size and international activity) may work as a risk amplifier but does not necessarily correspond to whether an insurer is engaged in potential systemic activities or is exposed to certain systemic risks.

10 What are the plans of the IAIS for supporting implementation of ComFrame?

IAIS Members are committed to implement ComFrame from the date of its adoption. Current supervisory practices are already in line with ComFrame in a number of areas. For example, supervisory colleges are in place for all insurance groups identified as IAIGs. Nevertheless, jurisdictions are likely to need some time to implement ComFrame, due to the need to make appropriate changes in legislation and/or to adjust supervisory practices.

In this context, after adoption of ComFrame the IAIS will initially focus on supporting Members' efforts in the implementation of ComFrame, mainly by organising training and workshops for supervisors. Facilitating implementation of ComFrame will first concentrate on the identification of IAIGs and supervisory cooperation and coordination, before moving to other areas of ComFrame at a later stage.

After the initial stage of ComFrame implementation, the IAIS will shift its focus to assessment of implementation of ComFrame.

11 How has ComFrame been developed?

The development phase of ComFrame began in 2010 and a Concept Paper was issued for public consultation in 2011. Draft ComFrame was released for public consultation in 2012. Thereafter, the IAIS held numerous meetings and dialogues with stakeholders to obtain information on actual experiences and incorporate appropriate supervisory requirements into ComFrame before issuing a revised draft for consultation in October 2013.

A draft ComFrame structured according to a modular approach was published by the IAIS in 2014, followed by field testing of its components.

In 2016, the IAIS decided to integrate the presentation of ComFrame material directly into the ICP structure. This decision was followed in March 2017 by the release of a package of draft revised ComFrame material integrated into several ICPs (ICPs 5, 7, 8, 9, 10, 12, 25). In November 2017, the IAIS released for public consultation ComFrame material integrated into ICPs 15 and 16 and additional ComFrame material in ICP 8.

In July 2018 the IAIS released for 90-day public consultation the draft overall ComFrame (including ComFrame in ICP 23 released for the first time) and ICS Version 2.0.

ComFrame was adopted at the Annual General Meeting in November 2019 and can be found on the Press Releases webpage of the IAIS page (link).

For details on the development of the ICS, visit the ICS webpage (link) and the Press Releases webpage of the IAIS page (link).