



IAIS 25
YEARS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS



IAIS ANNUAL REPORT 2019

ACTIVITIES FROM JANUARY
THROUGH DECEMBER 2019

INCLUDING 2019
FINANCIAL STATEMENTS

TABLE OF ACRONYMS

A2ii	Access to Insurance Initiative
AAWG	Accounting and Auditing Working Group
AGM	Annual General Meeting
AI	Artificial Intelligence
AIA	International Actuarial Association
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ARC	Audit and Risk Committee
ASSAL	Latin American Association of Insurance Supervisors
BC	Budget Committee
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
CCTF	Core Curriculum Task Force
CIF	Coordinated Implementation Framework
ComFrame	Common Framework for the Supervision of Internationally Active Insurance Groups
CPMI	Committee on Payments and Market Infrastructure
CSFWG	Capital, Solvency and Field Testing Working Group
DLT	Distributed Ledger Technology
ERM	Enterprise Risk Management
ExCo	Executive Committee
FCTF	Financial Crime Task Force
FIN	Financial Innovation Network
FIWG	Financial Inclusion Working Group
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSI	Financial Stability Institute
FSTC	Financial Stability and Technical Committee
G20	Group of 20
G-AWG	G-SII Analysts Working Group
GIMAR	Global Insurance Market Report
G-SII	Global Systemically Important Insurer
GWG	Governance Working Group
GWS	Group-wide Supervisor
Holistic Framework	Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector
IAA	International Actuarial Association
IAASB	International Auditing and Assurance Standards Board

IAC	Implementation and Assessment Committee
IAIG	Internationally Active Insurance Group
IASB	International Accounting Standards Board
ICP	Insurance Core Principle
ICS	Insurance Capital Standard
IFRS	International Financial Reporting Standards
IGWG	Insurance Groups Working Group
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commissions
IoT	Internet of Things
IPPC	Insurance and Private Pensions Committee
ISA	International Standard on Accounting
KIRT	Key Insurance Risks and Trends
KPI	Key Performance Indicator
MCWG	Market Conduct Working Group
MMoU	Multilateral Memorandum of Understanding
MPC	Macroprudential Committee
MPSWG	Macroprudential Policy and Surveillance Working Group
OECD	Organisation for Economic Co-operation and Development
ORSA	Own Risk and Solvency Assessment
PCC	Performance and Compensation Committee
PCR	Prescribed Capital Requirement
PDC	Policy Development Committee
RegTech and SupTech	Regulatory and Supervisory Technologies
ReWG	Resolution Working Group
SAPR	Self-Assessment and Peer Review
SAWG	Standards Assessment Working Group
SF	Supervisory Forum
SIF	Sustainable Insurance Forum
SMRTF	Supervisory Material Review Task Force
SPFO	Strategic Plan and Financial Outlook
SPFOTF	Strategic Plan and Financial Outlook Task Force
SRADG	Systemic Risk Assessment Drafting Group
SRAP	Systemic Risk Assessment and Policy
SSB	Standard Setting Body
SWG	Signatories Working Group
TCFD	Task Force on Climate-related Financial Disclosures

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MESSAGE FROM THE SECRETARY GENERAL

As I write this message, welcoming you to our Annual Report 2019, we are actually towards the end of 2020. The Covid-19 pandemic has engulfed the world in an unprecedented public health emergency, causing severe human and economic consequences. The world as we knew it in 2019 has been altered fundamentally, making 2019 seem like a very long time ago.

While many uncertainties remain about the trajectory of the Covid-19 pandemic and the broader economic recovery, I am pleased with how the IAIS has shown resilience and agility in responding thus far, quickly adapting in support of our Members' needs to understand the risks arising from Covid-19 and to applying appropriate supervisory measures. Looking back, I am confident in saying that the progress we made over 2019 laid the foundation for us to navigate the challenges of today successfully.

Over 2019, we achieved three key objectives, which gave us the flexibility and strength to face the crisis that was to come. The first two of those objectives - 1) delivering on the IAIS post-crisis reform agenda and 2) developing our Strategic Plan and Financial Outlook 2020-24 - are covered in detail in the Report from the Chair of the Executive Committee and throughout this Annual Report. The journey towards these reforms and deciding the path forward has required a vast amount of energy from our Members and the Secretariat. As Secretary General, I would like to extend my sincerest thanks to our Members, our stakeholders and the team at the Secretariat, all of whom played their own important part in this complex and rewarding process.

The third objective was to strengthen the IAIS' operational capabilities. This work has been a key priority of mine since taking on the role of Secretary General. In 2019, we made great strides in improving the efficiency of our processes, the effectiveness of governance and decision-making and ensuring transparency through robust dialogue with our stakeholders. Adjacent to these efforts, we also saw significant Secretariat renewal, saying goodbye to several long-serving colleagues and welcoming six new staff members. While it is always hard to see people leave, we welcome the fresh ideas and energy that comes with change.

As we transition to our new Strategic Plan, with a greater focus on emerging and accelerating risks and trends, the nature of IAIS engagement with stakeholders will continue to evolve. Given the high degree of alignment in the objectives of both supervisors and stakeholders with regard to these themes, we have signalled the need to work jointly with stakeholders and to move from a consultative to a more collaborative approach. In support of this, we lengthened our public consultation periods to 60 days for most supervisory and supporting material and held nearly 50 different stakeholder engagements over the year.

2019 also marked our 25-year anniversary. Since our founding in 1994, the IAIS has significantly evolved from its humble beginnings as an informal forum for exchange among supervisors. Now it is the global standard-setting body for insurance supervision and, due to its active contribution to the Financial Stability Board and collaboration with many other standard-setting bodies, it is a truly integral part of the global financial architecture. Our strength comes from the great diversity of our membership, where all markets big and small have the opportunity to participate in a global dialogue with their peers and the IAIS' diverse range of stakeholders. Together we have built an international community for discussing and addressing the challenges and opportunities for insurance and insurance supervisors, establishing globally implemented standards of insurance supervision and bringing an important insurance sector perspective to global efforts to identify and mitigate systemic risk.

The same pioneering spirit of cooperation that led to the formation of the IAIS 25 years ago calls on all of us, collectively, to continue to work together, to engage with one another and to find appropriate, practical and proportionate approaches for protecting policyholders, achieving sustainable growth and promoting financial stability in this period of rapid change. I look forward to continuing our efforts together.



Jonathan Dixon
Secretary General



Our strength comes from the great diversity of our membership, where all markets big and small have the opportunity to participate in a global dialogue with their peers and the IAIS' diverse range of stakeholders.

The International Association of Insurance Supervisors (IAIS) is a voluntary membership organisation of insurance supervisors from over 200 jurisdictions, constituting 97% of the world's insurance premiums. It is the international standard-setting body for the supervision of the insurance sector. The IAIS was established in 1994 as a non-profit organisation under Article 60 of the Swiss Civil Code.

The IAIS' mission is 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 the maintenance of global financial stability.

As the global body of insurance supervisors, the IAIS coordinates its work with other international financial policymakers and associations of supervisors and standard-setting bodies. The Group of 20 (G20) and many other international bodies routinely call upon the collective expertise of IAIS Members.

Hosted by the Bank for International Settlements (BIS), the IAIS operates with the support of a Secretariat, under the direction of a Secretary General, located in Basel, Switzerland.

GOVERNING STRUCTURE

The IAIS consists of the following three organs: the General Meeting of Members, the Executive Committee and its committees and subcommittees, and the Secretariat.

The General Meeting of Members may amend the by-laws; adopt principles, standards and guidance developed by the Association; elect Executive Committee members and take other actions specified in the by-laws.

The Executive Committee, whose 38 members come from different regions of the world, representing advanced and developing insurance markets, is responsible for providing strategic direction and managing IAIS affairs in a manner consistent with the specific duties set forth in the by-laws. It appoints the Secretary General and takes all decisions necessary to achieve the IAIS mission in accordance with the directions given by the General Meeting.

The Executive Committee is supported by the following five Committees established under its by-laws:

- Audit and Risk Committee
- Budget Committee
- Implementation and Assessment Committee
- Macprudential Committee
- Policy Development Committee

Committees may establish subcommittees to help carry out their duties. Representatives are drawn from every region of the world and all different types of insurance markets.

The Secretariat supports the IAIS' activities through its committees and subcommittees as well as facilitating efficient communication and cooperation among IAIS Members, stakeholders and other institutions. The Secretary General, who is appointed by the Executive Committee, leads and directs the IAIS Secretariat to ensure that the IAIS' activities, operations and decisions are effectively and efficiently carried out in accordance with the IAIS by-laws and internal policies and procedures.



WHAT WE DO

IAIS work centres on three primary areas: standard setting, implementation and assessment and financial stability.

Standard setting: The IAIS develops supervisory material (principles, standards and guidance) for effective supervision of insurance-related activities. Notably, the IAIS has developed the Insurance Core Principles (ICPs) and the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame). The ICPs provide the globally accepted standards for supervision of the insurance sector. ComFrame builds on the ICPs and establishes supervisory standards and guidance focusing on the effective group-wide supervision of Internationally Active Insurance Groups (IAIGs). In 2019, the IAIS published version 2.0 of the Insurance Capital Standard (ICS) for a five-year monitoring period. The IAIS also adopted the Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector (Holistic Framework).

In addition, the IAIS develops supporting material to supplement its supervisory material and provide additional background on specific areas of interest to insurance supervisors.

Implementation and assessment: The IAIS actively promotes the implementation of its supervisory material. Working closely with international organisations and regional associations of supervisors, the IAIS supports training seminars and conferences, as well as initiatives to encourage financial inclusion, enable peer exchange among supervisors and to facilitate supervisory cooperation. In addition, the IAIS supports assessments of our supervisory material through providing a tool for self-assessments, conducting thematic peer reviews and undertaking comprehensive member assessments.

Financial stability: The IAIS has a role in the identification, assessment and mitigation of systemic risk in the global financial system, with its particular focus being the global insurance sector. Activities in the area of financial stability include monitoring global insurance market trends and developments and detecting the possible build-up of systemic risk in the global insurance sector, as well as analysing and developing IAIS supervisory and supporting material on issues related to financial stability, systemic risk and macroprudential supervision.

Within these broad themes, the IAIS' work covers a broad and diverse range of topics including, but not limited to, accounting and auditing, capital and solvency, climate risk, conduct of business, financial inclusion, financial stability, FinTech, governance, reinsurance, resolution, supervisory capacity building and sustainable insurance.

THE WAY WE WORK

In carrying out its mission, the IAIS operates in an open manner, abiding to the highest standards of transparency, administrative due process and governance, while also enabling the exchange of sensitive and confidential information among supervisors.

The IAIS often works in partnership with BIS-hosted committees such as the Basel Committee on Banking Supervision (BCBS) and the Committee on Payments and Market Infrastructure (CPMI), as well as other BIS-hosted entities such as the Financial Stability Board (FSB), the Financial Stability Institute (FSI) and the International Association of Deposit Insurers (IADI). The IAIS also works closely with other standard-setting bodies not hosted by the BIS, such as the International Organisation of Securities Commissions (IOSCO).

Stakeholder meetings are an integral part of the IAIS decision-making process. Extensive stakeholder engagement is reflected in the work of IAIS committees and subcommittees and in the commitments contained in the IAIS stakeholder engagement plan.



You can find more information on [BCBS](#), [CPMI](#), [FSB](#), [FSI](#), [IADI](#) and [IOSCO](#) on their websites.

By all measures, 2019 was an auspicious year for the IAIS: we celebrated our 25th anniversary as the international standard-setting body for the insurance sector, we adopted a series of significant post-crisis reforms and agreed a pathway forward for the Insurance Capital Standard and, lastly, we set a new direction with the adoption of our 2020-2024 Strategic Plan and Financial Outlook.

The IAIS' achievements in 2019 represent the culmination of many years of hard work and dedicated collaboration. Our success is a tribute to our membership. Thus, I would like begin this report with a big **THANK YOU** to all IAIS Members. Thank you for the investment of time and know-how, for serving on IAIS committees and subcommittees and for implementing, self-assessing and peer reviewing our supervisory material. I would also like to thank our community of stakeholders for their ongoing and constructive input to our work. We have made a commitment, as an association, to operate transparently and to seek views from stakeholders in meaningful ways. It has been gratifying to experience this collaboration come to fruition.

DELIVERING ON OUR POST-CRISIS REFORM AGENDA

ICP REVISIONS

In 2019, we completed the multi-year process for reviewing and revising the Insurance Core Principles (ICPs). We now have a stable set of ICPs that will provide a sound basis for the shift to a greater emphasis on assessing implementation, facilitating supervisory practices and supporting capacity building.

COMFRAME

ComFrame - the Common Framework for the Supervision of Internationally Active Insurance Groups - is a key achievement in delivering on our post-crisis reform agenda. Its adoption in November 2019 marks the culmination of one of the Association's marquee initiatives.

We now, for the first time, have a truly global framework for the cross-border supervision of global insurance groups. In this world of increasingly globally interconnected insurance businesses, it is imperative that there can be a coordinated supervisory response. ComFrame provides us with the common language we need to work together in an effective and globally consistent way to protect policyholders around the world, wherever they may be.

HOLISTIC FRAMEWORK

In addition to our mission of policyholder protection, the other key objective of the Association is to contribute to global financial stability. On this front too, we have come together to achieve a major accomplishment - the adoption of the Holistic

Victoria (Vicky) Saporta

United Kingdom
Prudential Regulation Authority (PRA)
Chair, Executive Committee



Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector.

This marks a significant evolution from the previous approach, which saw the identification by the Financial Stability Board (FSB), in consultation with national authorities, of a limited number of Global Systemically-Important Insurers (G-SIIs) to which a fixed set of supervisory measures were expected to be applied. The IAIS' new framework is holistic in the sense that we now recognise that potential systemic risk can arise both from sector-wide trends with regard to specific activities and exposures, and from a concentration of these activities and exposures in individual insurers. We have improved our collective understanding of the activities and exposures that could lead to systemic risk in the insurance sector and have agreed on a mechanism for collective discussion of the outcomes of our global monitoring and appropriate supervisory responses.

ICS

2019 also marked a significant milestone in the journey to creating a global risk-based Insurance Capital Standard (ICS) for Internationally-Active Insurance Groups (IAIGs), which is the quantitative element of ComFrame.

We have always known that developing a global insurance capital standard was going to be challenging, given the different insurance business models and regulatory approaches around

the world. Yet, we have also known that the alternative is truly sub-optimal: a continuation of the fragmented supervisory landscape, undermining effective policyholder protection on a cross-border basis.

Through tireless work and frank discussion, the IAIS agreed on ICS version 2.0 to be used for the purposes of a five-year monitoring period. The next stage is the confidential reporting of ICS for discussion in supervisory colleges. The qualitative feedback that we will receive in the coming years, combined with ongoing data collection, public consultation and an impact assessment will provide us with the insights necessary to continue to refine and improve ICS prior to its finalisation for implementation.

ASSESSMENT AND CAPACITY BUILDING

Delivery of our important policy initiatives is complemented by the ongoing work in supporting the implementation of our supervisory material. Some key highlights are:

- We have continued our support for regional seminars and other trainings for insurance supervisors, with over 600 supervisors participating in IAIS sponsored trainings in 2019;
- In partnership with the Financial Stability Institute (FSI), we held the 6th FIRST ONE programme, an online training initiative for professionals new to insurance supervision. Demand for this programme remains strong with 194 supervisors participating in 2019;
- We completed a comprehensive update to the IAIS' Core Curriculum, with its website recording over 5,000 visits since the updated Core Curriculum was launched;
- We completed the first assessment under our new Peer Review Process, with 72 supervisors participating; and
- As part of our pilot Member Assessment Programme, we completed an assessment of the implementation of IAIS supervisory material in Guernsey.

While not a complete list, this sampling of activities demonstrates our strong commitment to support our Members in strengthening their understanding and observance of our supervisory material.

LOOKING FORWARD: IAIS FIVE-YEAR STRATEGIC PLAN

In June 2019, we adopted our 2020–2024 Strategic Plan and Financial Outlook. The implementation of the momentous reforms adopted in November will remain a critical priority, but this new strategy foresees a significant shift, both in terms of the focus of our activities and in the themes with which we engage, in order to respond to the fast-changing global context in which we operate.

Technological innovation, cyber risk, climate risk, the importance of conduct and culture and the challenge of sustainable development are examples of the fundamental market developments and challenges requiring the attention of insurance supervisors. These issues impact all of our Members – from both developed and developing jurisdictions. We will therefore put increasing efforts and resources behind understanding, collaborating on and helping Members to respond to these topics.

The new Strategic Plan contains several important components:

- Going forward, our standards will be more stable following an intensive period of standard setting since the global financial crisis. Our focus will shift to more of an emphasis on good supervisory practices (applying our comprehensive set of standards), rather than setting new rules.
- We will move to a more robust assessment of the implementation of already agreed standards; recognising that IAIS standards are only meaningful if consistently implemented and effective in practice.

- The promotion of financial stability will remain a strategic focus of the IAIS and our Holistic Framework will allow for a structured cycle of global monitoring of potential systemic risk at an individual insurer and sector-wide level.
- Lastly, the next phase is likely to bring a more integrated approach to prudential and market conduct workstreams, since many of the risks to policyholder protection emerging from the trends and developments, such as digital innovation, relate to the fair treatment of customers.

DELIVERING ON OUR WORK

A key part of delivering on our commitments and goals is ensuring a robust governance process.

In 2019, we implemented the changes to the composition of the Executive Committee that we agreed to in 2018. With our expanded Executive Committee, we have strengthened regional diversity and the inclusiveness of our Association, while at the same time ensuring that we always have supervisors from the major insurance markets at the table.

Operationally, we also saw a number of changes in the Secretariat, both in terms of team composition and internal policies and procedures. Our Secretary General, Jonathan Dixon, completed his second year of stewardship and has made the Secretariat an even higher performing organisation.

Many of the key initiatives that have dominated our agenda for the last few years have come to a conclusion in 2019. I believe we can all take pride in being part of an association that has accomplished so much.

Looking to the future, we are embarking on a new journey, informed by a new Strategic Plan, in a changing world. This journey will require us to carry on the spirit of cooperation and collaboration that has made our Association a success. I encourage you to remain involved in the important work of the IAIS and thank you for all your commitment and contributions.

EXECUTIVE COMMITTEE



Victoria Saporta (UK, PRA)

Chair

David Altmaier (USA, Florida)

Vice Chair

Hiroshi Ota (Japan, FSA)

Vice Chair

Suzette Vogelsang (South Africa, PA)

Vice Chair

The Executive Committee is responsible for providing overall strategic direction and managing IAIS activities in a manner consistent with the specific duties set forth in the Association's by-laws. The Executive Committee is specifically responsible for establishing the Audit and Risk, Budget, Macroprudential, Policy Development, and Implementation and Assessment Committees. More generally, the Executive Committee is charged with doing all things necessary to ensure the sound functioning and furtherance of the mission of the Association.

POLICY DEVELOPMENT COMMITTEE



Elise Liebers (USA, NAIC)

Chair

Paolo Cadoni (UK, PRA)

Vice Chair

Craig Swan (Bermuda, BMA)

Vice Chair

The Policy Development Committee (PDC) oversees the development and review of supervisory and supporting material in collaboration with the other relevant committees. In carrying out its mandate, the PDC is supported by the work of eight subcommittees, discussing and resolving complex technical and policy issues and providing steer to help progress work. Subcommittees:

- Accounting and Auditing Working Group
- Capital, Solvency and Field Testing Working Group
- Governance Working Group
- Insurance Groups Working Group
- Market Conduct Working Group
- Resolution Working Group
- Financial Crime Task Force
- Supervisory Material Review Task Force

BUDGET COMMITTEE



Subhash C. Khuntia (India, IRDA)

Chair

Ryan Workman (USA, NAIC)

Vice Chair

The Budget Committee is responsible for overseeing the financial position and financial management of the IAIS, monitoring the IAIS' financial situation on a regular basis, making recommendations on annual fee and expenditure levels, recommending and reviewing the IAIS' policies on investment and reserves, and reviewing proposals for significant unbudgeted expenditures.

MACROPRUDENTIAL COMMITTEE



Alberto Corinti (Italy, IVASS)

Chair

Marcelo Ramella (Bermuda, BMA)

Vice Chair

Steven Seitz (USA, Treasury/FIO)

Vice Chair

The Macroprudential Committee (MPC) is responsible for steering and overseeing the financial stability work of the IAIS. The development of the Holistic Framework is one of the committee's key workstreams. In carrying out its mandate, the MPC is supported by the work of two subcommittees:

- Global Systematically Important Insurers Analysts Working Group
- Macroprudential Policy and Surveillance Working Group

AUDIT AND RISK COMMITTEE



Geoff Summerhayes (Australia, APRA)

Chair

The Audit and Risk Committee (ARC) is responsible for reviewing the internal controls of the Association and monitoring that its activities achieve their objectives through effective and efficient operations and are compliant with applicable procedures and resolutions.

IMPLEMENTATION AND ASSESSMENT COMMITTEE



Peter Braumüller (Austria, FMA)

Chair

Ekrem Sarper (USA, NAIC)

Vice Chair

Li Tang (Chinese Taipei, FSC)

(until February 2019)

Tien-Mu Huang (Chinese Taipei, FSC)

(from May 2019)

Vice Chair

Implementation activities support our standard-setting mandate and are critical to achieving effective and globally consistent supervision. The Implementation and Assessment Committee (IAC) supports Members in implementing IAIS supervisory material by assessing observance of IAIS standards, providing guidance on supervisory practices, promoting information exchange and supervisory cooperation and facilitating supervisory capacity building. The IAC is supported by five subcommittees:

- Financial Inclusion Working Group
- Core Curriculum Task Force
- Standards Assessment Working Group
- Supervisory Forum
- Signatories Working Group



ADOPTED AND APPROVED

- **Five-Year Strategic Plan**
- **14 ICP updates**
- **ComFrame**
- **Holistic Framework**
- **2 Application Papers**
 - Proactive Supervision of Corporate Governance
 - Recovery Planning
- **ICS for the five-year monitoring period**



INTRODUCED

- **Expanded Executive Committee**
- **Expert Group in Cyber Risk**
- **2 new signatories to MMoU**
 - Financial Supervisory Service (FSS) & Financial Services Commission (FSC), Korea
 - Insurance Supervision Agency, Slovenia



EXECUTED

- **1 Peer Review Process (ICPs 1 & 2)**
- **1 Member Assessment Pilot (Guernsey)**
- **6 Public Consultations**
- **4 Surveys**
 - 2 member
 - 2 public



TRAINING

- **600 Supervisors trained**
- **6th FIRST ONE programme launched**
- **Core Curriculum – 3,000 page visits**



EVENTS

- **Global Seminar: 307 attendees**
- **Annual Conference: 496 attendees**
- **Annual General Meeting: 233 attendees**
- **Joint IAIS/FSB Workshop on Data and Innovation in the Insurance Sector, London: 92 attendees**
- **50 Stakeholder engagements**



PUBLISHED

- **10 IAIS Newsletters**
- **3 Press Releases**
- **Annual Report**
- **Global Insurance Market Report (GIMAR)**



PARTICIPATED

- **FSB Financial Innovation Forum**
- **UNEP Sustainable Insurance Forum**
- **Network of Central Banks and Supervisors for Greening the Financial System (NGFS)**



WWW.IAISWEB.ORG

- **3.6 M webpage visits**
- **800 K downloads**

ICPs

A multi-year and broad-ranging review of the Insurance Core Principles (ICPs) came to close in 2019. The revised ICPs, adopted at the November 2019 Annual General Meeting, form a set of stable and coherent supervisory material, which together with ComFrame and the Holistic Framework, reflect the IAIS' supervisory material.

The comprehensive revision of the ICPs took into account many developments:

- Findings from IAIS' Self-Assessments and Peer Reviews and International Monetary Fund (IMF) Financial Sector Assessment Program
- Recommendations from the FSB/G20
- Consistency with the development of ComFrame
- Updates related to standards and guidance developed by other standard-setting bodies
- Insurance market trends and developments

This comprehensive set of supervisory material provides a sound basis for the IAIS' pivot to an enhanced focus on implementation, assessment and capacity building activities as set out in the new Strategic Plan.

UPDATED INSURANCE CORE PRINCIPLES ¹

	INTRODUCTION AND ASSESSMENT METHODOLOGY
ICP 1	OBJECTIVES, POWERS AND RESPONSIBILITIES OF THE SUPERVISOR
ICP 2	SUPERVISOR
ICP 3	INFORMATION SHARING AND CONFIDENTIALITY REQUIREMENTS
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 20	PUBLIC DISCLOSURE
ICP 22	ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
ICP 23	GROUP-WIDE SUPERVISION
ICP 24	MACROPRUDENTIAL SUPERVISION
ICP 25	SUPERVISORY COOPERATION AND COORDINATION

¹ ICPs in blue include updates pertaining to ComFrame

COMFRAME

The Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) was adopted by the IAIS on 14 November 2019. It establishes supervisory standards and guidance for the supervision of Internationally Active Insurance Groups (IAIGs). ComFrame is an important element of our post-crisis reform agenda and builds upon the standards and guidance currently contained in the ICPs.

A comprehensive and outcome-focused framework providing qualitative and (in a future phase) quantitative supervisory minimum requirements, ComFrame is tailored to the

international activity and size of IAIGs. ComFrame helps supervisors address group-wide risks, avoid supervisory gaps and provides supervisors with a common language for the supervision of IAIGs, supporting strengthened coordination between the group-wide supervisors and other involved supervisors.

The IAIS values the ongoing input and feedback from stakeholders on these important sector-wide reforms. The feedback received during the monitoring period will be used to improve the ICS further.

ICS

As part of ComFrame, the IAIS has developed an Insurance Capital Standard (ICS), which aims to provide a globally comparable risk-based measure of capital adequacy of IAIGs.

Approved in November 2019, ICS version 2.0 will be used during a five-year monitoring period for confidential reporting to group-wide supervisors and discussion in supervisory colleges. The results will not trigger any supervisory action.

The performance of the ICS will be monitored and assessed during this five-year period (2020-2024). The monitoring period will allow for practical feedback from supervisors, including discussions of the usefulness of ICS during supervisory colleges.

Equally important, it will also consider feedback from global insurance groups concerning, for example, challenges with applying ICS or unintended consequences for parts of the insurance business and any implications for long-term business.

The IAIS values the ongoing input and feedback from stakeholders on these important sector-wide reforms. The feedback received during the monitoring period will be used to improve the ICS further.

The United States (US) and other interested jurisdictions are developing an Aggregation Method (AM) to a group capital calculation. Although this is not part of ICS version 2.0, the IAIS appreciates the significance of this development, and is helping to collect data from the US and other interested jurisdictions that will aid in the development of the AM. The IAIS aims to be in a position by the end of the monitoring period to assess whether the AM provides comparable outcomes to the ICS. Work has begun on developing criteria to assess whether the AM provides comparable outcomes to the ICS. The IAIS has agreed on a draft definition of comparable outcomes and an overarching approach to guide the development of high-level principles and criteria to inform the comparability assessment.

NEXT STEPS FOR COMFRAME AND ICS

While the adoption of ComFrame in 2019 signifies a crucial step forward for the IAIS, we must now turn our attention to its effective implementation over the coming years.

IAIS Members are committed to implementing ComFrame from the date of adoption. Nevertheless, the IAIS recognises that many jurisdictions will need time to make appropriate changes in legislation and to adjust supervisory practices to facilitate effective implementation. To this end, the IAIS' initial focus will be on supporting Members' efforts to implement ComFrame before moving on to assessing the implementation of ComFrame.

From early 2020, the IAIS will compile a public register of IAIGs that have been publicly disclosed by group-wide supervisors. The register will share information on its completeness, including a comparison of the number of publicly disclosed IAIGs with the total number of IAIGs that have been identified by group-wide supervisors.

HOLISTIC FRAMEWORK

The Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector (Holistic Framework) is an integrated set of supervisory policy measures, a global monitoring exercise, and implementation assessment activities aimed at identifying, assessing and mitigating the potential build-up of systemic risk in the global insurance sector. The comprehensive and consistent implementation of the Holistic Framework will support an effective approach to the assessment and mitigation of systemic risk in the global insurance sector.

The development of the Holistic Framework began in 2017 with the announcement of the IAIS Systemic Risk Assessment and Policy Workplan. It was finalised over the course of 2019 and adopted at the November 2019 AGM for implementation beginning in 2020.

The Holistic Framework has three key elements:

SUPERVISORY POLICY MEASURES AND POWERS OF INTERVENTION

Enhanced supervisory policy measures provide the pre-emptive part of the Framework. The measures include ongoing supervisory requirements applied to insurers, enhanced macroprudential supervision and crisis management and planning. Together, they are designed to increase the overall resilience of the insurance sector and help prevent insurance sector vulnerabilities and exposures from developing into systemic risk. The enhanced supervisory powers of intervention enable a prompt and appropriate supervisory response where potential systemic risk is detected. These measures have been translated into IAIS supervisory material (ICPs and ComFrame).

GLOBAL MONITORING EXERCISE

The IAIS' global monitoring exercise is designed to detect the possible build-up of systemic risk in the global insurance sector, both at an individual insurer and at a sector-wide level. This is achieved by tracking global insurance market trends and developments to inform a collective discussion within the IAIS on the risks and on appropriate supervisory responses.

IMPLEMENTATION ASSESSMENT

The final key element of Holistic Framework is the IAIS' assessment of the globally consistent and effective implementation by IAIS Members of the supervisory material contained in the relevant ICPs and ComFrame standards. To ensure a globally consistent application of these policy measures, the IAIS will undertake a robust and transparent assessment of implementation.

KEY ELEMENTS OF THE HOLISTIC FRAMEWORK

Enhanced set of supervisory policy measures and powers of intervention

IAIS global monitoring exercise, including a collective discussion of the outcomes and supervisory responses

Robust assessment of consistent implementation of supervisory material

AN EVOLVED APPROACH TO SYSTEMIC RISK

Recognises systemic risk may not arise from distress or failure of individual insurers but also from sector-wide activities and exposures

Addresses cross-sectoral aspects of systemic risk

Moves away from a binary approach (G-SIIs¹) to a proportionate application of an enhanced set of policy measures for macroprudential purposes

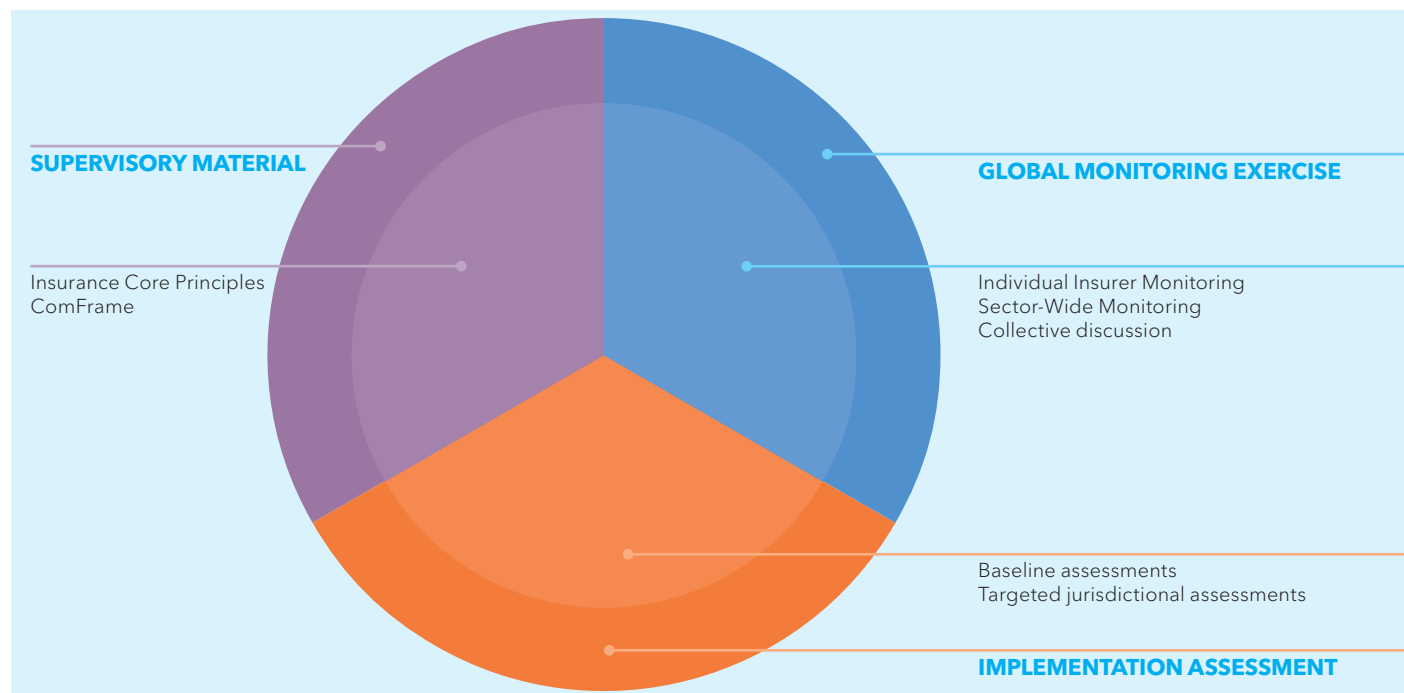
¹ G-SIIs (Global Systemically Important Institutions) are institutions whose distress or disorderly failure would cause significant disruption to the global financial system and economic activity. As part of a global initiative under the purview of the FSB and G20 to address systemic risk in the financial sector, in 2013 the IAIS adopted an assessment methodology to support recommendations on the identification of G-SIIs and policy measures to apply to these institutions ("G-SII policy measures"). These pre-determined policy measures applied only to a small group of identified G-SIIs.

AN INTEGRATED APPROACH

While each of the elements of the Holistic Framework represents an essential building block in itself, the overall effectiveness of the Holistic Framework will depend on an integrated approach. These core functions reflect a mutually reinforcing cycle of activities in support of the IAIS mission – starting with the monitoring of global insurance market trends and developments, collective discussion on an appropriate response to the potential build-up of global systemic risk, through to the assessment of, and support for, implementation of these standards and good supervisory practices. Finally, the outcomes of the assessment of implementation are expected to feed back into the global monitoring and collective discussion and, where necessary, standard setting and supervisory practices work.

These core functions reflect a mutually reinforcing cycle of activities in support of the IAIS mission.

HOLISTIC FRAMEWORK FOR THE ASSESSMENT AND MITIGATION OF SYSTEMIC RISK IN THE INSURANCE SECTOR



NEXT STEPS FOR THE HOLISTIC FRAMEWORK

The implementation of the Holistic Framework will commence in 2020. If appropriately implemented, it is expected to provide an enhanced basis for assessing and mitigating systemic risk in the insurance sector.

The FSB, in consultation with the IAIS and national authorities, decided in November 2019 not to engage in an identification of G-SIIs in 2019 and to suspend G-SII identification from 2020. In November 2022, the FSB will review whether to discontinue or to re-establish an annual identification of G-SIIs by the FSB, in consultation with the IAIS and national authorities.

To support implementation of the supervisory material, the IAIS is developing two Application Papers. An [Application Paper](#) on Liquidity Risk Management was published for consultation in November 2019. An Application Paper on Macroprudential Supervision is expected to be finalised by 2021.

In developing the Holistic Framework, the IAIS benefited from cross-sector work undertaken in conjunction with the BCBS, as well as the input of Members and stakeholders through three public consultations and a number of stakeholder events.

SUPPORTING MATERIALS

APPLICATION PAPERS

The IAIS published two Application Papers in 2019.

Application Papers provide additional material related to IAIS supervisory material (ICPs and ComFrame). They provide guidance on the practical application of supervisory material and include actual examples or case studies.

Application Paper on Proactive Supervision of Corporate Governance

The Application Paper on Proactive Supervision of Corporate Governance focuses on corporate governance-related ICPs, mainly ICP 7 (Corporate Governance) and ICP 8 (Risk Management). The paper was developed by the Governance Working Group (GWG) to address supervisors' need for additional guidance on proactive and robust supervisory practices related to corporate governance.

The Paper sets out good practices related to the organisation and functioning of the supervisor, with the objective of promoting proactive supervision of corporate governance. It aims to raise awareness of, and seeks to address, the organisational, cultural, and procedural challenges faced by supervisors in detecting problems in corporate governance and taking appropriate steps at an early stage.

The Paper addresses the following aspects of fostering and supporting proactive supervision:

- Discusses how the supervisor's own organisation, culture and process should support proactive supervision
- Highlights that the supervisor needs relevant and timely information in order to be proactive

- Provides a non-exhaustive list of early warning indicators – yellow and red flags – that may signal the need for investigation and, potentially, further steps
- Explains how effective communication by the supervisor with both insurers and the wider public can promote proactive supervision

Application Paper on Recovery Planning

The Application Paper on Recovery Planning focuses on supervisory material related to recovery planning in the ICPs and ComFrame, particularly ICP 16 (Enterprise Risk Management for Solvency Purposes), supervisory cooperation and coordination arrangements set out in ICP 23 (Group-wide Supervision) and ICP 25 (Supervisory Cooperation and Coordination) and ComFrame integrated therein.

The Paper addresses the following aspects of fostering and supporting proactive supervision:

- Provides recommendations and guidance to supervisors regarding recovery planning, and cooperation and coordination between supervisors
- Provides additional information for insurers with regard to recovery planning
- Provides examples to illustrate the application of principles, standards and guidance relevant to recovery planning

Topics discussed in more detail include:

- The relationship between recovery plans and other enterprise risk management (ERM) tools, including Own Risk and Solvency Assessment (ORSA), contingency plans and other preventive or corrective measures
- The circumstances in which it is appropriate for the supervisor to require a recovery plan
- The implementation of the proportionality principle with respect to a recovery plan
- The governance around the development of a recovery plan, both in terms of development, approval, review and testing, as well as how it relates to the ongoing monitoring, escalation and activation of the plan
- An explanation of the key elements of a recovery plan, outlining examples of good practices



IAIS Application Papers can be found on the [IAIS website](#).

CONSULTATIONS AND SURVEYS IN 2019

THE IAIS HELD SIX CONSULTATIONS THROUGHOUT 2019:

[DRAFT ISSUES PAPER ON THE IMPLEMENTATION OF THE RECOMMENDATIONS OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES \("TCFD RECOMMENDATIONS"\)](#)

[DRAFT APPLICATION PAPER ON LIQUIDITY RISK MANAGEMENT](#)

[DRAFT ISSUES PAPER ON USE OF BIG DATA ANALYTICS IN INSURANCE](#)

[HOLISTIC FRAMEWORK FOR THE ASSESSMENT AND MITIGATION OF SYSTEMIC RISK IN THE INSURANCE SECTOR](#)

IAIS SUPERVISORY MATERIAL

[DRAFT REVISED IAIS GLOSSARY](#)

[DRAFT COMFRAME ASSESSMENT METHODOLOGY](#)

[CHANGES IN THE INTRODUCTION TO ICPS AND ICP 7 \(CORPORATE GOVERNANCE\) FOR CONSISTENCY WITH COMFRAME DEVELOPMENT](#)

[DRAFT REVISED ICP 22 \(ANTI-MONEY LAUNDERING AND COMBATTING THE FINANCING OF TERRORISM\)](#)

REVISIONS RELATED TO HOLISTIC FRAMEWORK

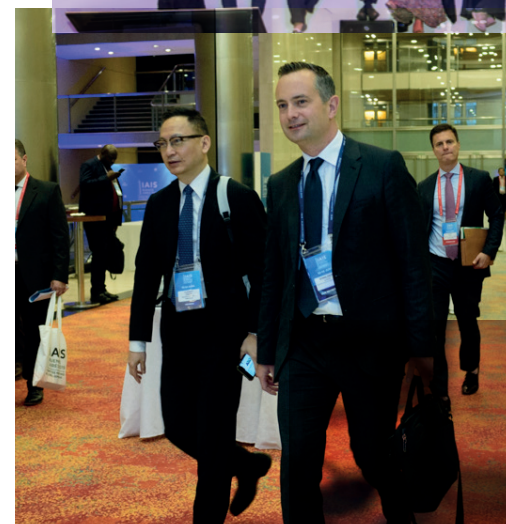
IAIS CONDUCTED FOUR TARGETED SURVEYS IN 2019:

[SURVEY ON IMPLEMENTATION OF THE RECOMMENDATIONS AND GUIDANCE OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES](#)

[PEER REVIEW PROCESS: ICPS 4, 5, 7, 8](#)

[SURVEY ON FINANCIAL HEALTH AND STABILITY INDICATORS \(FHSIS\)](#)

[EMDE MEMBERS SURVEY 2019](#)



The Implementation and Assessment Committee (IAC) leads the IAIS' implementation work. A revision of the IAC mandate and the IAIS implementation strategy in early 2018 laid the foundation for the pivot towards implementation after the finalisation of the post-crisis reform agenda.

The IAIS' revised Coordinated Implementation Framework (CIF) outlines the pillars supporting its implementation work:

- Assisting Members in building supervisory capacity and sharing good supervisory practices in collaboration with other international organisations and regional forums that share complementary objectives for strengthening insurance supervision
- Cooperation and information exchange among Members through the Multilateral Memorandum of Understanding (MMoU)
- An enhanced assessment programme for assessing the observance level of IAIS international standards

The IAIS is particularly committed to helping its Members from jurisdictions considered emerging markets and developing economies (EMDE) to keep pace with their insurance markets' growth and deepening.

CAPACITY BUILDING

Capacity building is integral to implementing the global standards the IAIS sets. The IAIS collaborates with international organisations and regional associations to deliver a global supervisory capacity-building programme that supports its diverse and global membership in implementing its supervisory material.

The IAIS is particularly committed to helping its Members from jurisdictions considered emerging markets and developing economies (EMDE) to keep pace with their insurance markets' growth and deepening. Close partnerships with the Financial Stability Institute (FSI) and the Access to Insurance Initiative (A2ii) allow the IAIS to extend its geographical reach and bolster the in-person and virtual mix of capacity-building events.

REGIONAL SEMINARS AND WORKSHOPS

Every year, the IAIS provides financial support to several seminars and workshops hosted by insurance supervisory authorities around the world. These programmes are aimed primarily at insurance supervisors in the hosts' region. 2019 saw an all-time high in the number of participants for regional seminars, with over 650 attendees at 12 regional seminars.

The graph on [page 18](#) provides details on the main seminars and their regional distribution.

SUPERVISORY COOPERATION AND EXCHANGE

The IAIS promotes supervisory cooperation and information exchange among Members through its MMoU. The MMoU is a framework that establishes a formal basis for global cooperation and information exchange among insurance supervisors. Before signing the MMoU, Members undergo a rigorous review process. The Signatories Working Group of the MMoU and the Secretariat manage the application and approval process for signatories. By year-end 2019, the number of signatories stood at 72 Members, accounting for nearly 75% of global premiums.

ASSESSMENTS

Assessments provide critical insight into the state of implementation and are valuable for identifying demand for capacity-building and training needs.

In recognition of the importance of its assessment work, the IAIS established the Standards Assessment Working Group (SAWG) in 2018. The SAWG launched the first enhanced Peer Review Process (PRP) and a pilot for the Member Assessment Process (MAP) in September 2018. By the end of 2019, the IAIS [published](#): 1) the PRP aggregate report on the Mandate for Supervisors and Supervisory Powers (covering ICPs 1 and 2) with participation from 72 Members; and 2) a final report of the MAP of Guernsey.

In 2019, the SAWG also launched a PRP focused on Corporate and Risk-Governance, which included ICPs 4, 5, 7 and 8, with participation from 70 Members, as well as a second pilot MAP, on Morocco.

IAIS REGIONAL SEMINARS 2019

OFFSHORE

GIBRALTAR (14)
Front-line insurance supervision across borders
IAIS, GIICS & Financial Services Commission, Gibraltar

CARIBBEAN

ARUBA AND CURAÇAO (19)
Front-line insurance supervision across borders
IAIS, GIICS, Central Bank of Aruba & Central Bank of Curaçao

BAHAMAS & TURKS AND CAICOS (26)
Front-line insurance supervision across borders
IAIS, GIICS, Insurance Commission of the Bahamas & Financial Services Commission of Turks and Caicos

TRINIDAD AND TOBAGO (30)
Capacity building for insurance supervisors - leveraging actuarial skills
IAIS, IAA, A2ii & Central Bank of Trinidad and Tobago

LATIN AMERICA

SANTA CRUZ DE LA SIERRA, BOLIVIA (100)
Conference on insurance regulation and supervision in Latin America
IAIS, ASSAL & Pensions and Insurance Authority, Bolivia

CIUDAD DE PANAMA, PANAMA (50)
Emerging risks in insurance and future challenges
IAIS, ASSAL, FSI & Superintendence of Insurance and Reinsurance, Panama

SAN JOSE, COSTA RICA (103)
Regional training seminar for insurance supervisors of Latin America
IAIS, ASSAL & SUGESE

CENTRAL AND EASTERN EUROPE AND TRANSCAUCASIA (CEET)

BRATISLAVA, SLOVAKIA (136)
Conference on synergies between insurance and pensions
IAIS, IOPS, OECD & National Bank of Slovakia

OHRID, NORTH MACEDONIA (60)
Group supervision, new tools and skills for supervision, and digitalisation in insurance
IAIS & Insurance Supervision Agency, Macedonia

ASIA

MANILLA, PHILIPPINES (30)
Supervising insurance companies on fraud, anti-money laundering and combating the financing of terrorism
IAIS, AITRI, Toronto Centre & Office of the Insurance Commissioner, Philippines

SUB-SAHARA AFRICA

CAPE TOWN, SOUTH AFRICA (44)
Regulation and supervision of legal entities' and groups' corporate governance
IAIS, FSI & Prudential Authority, South Africa

MIDDLE EAST AND NORTH AFRICA (MENA)

TUNIS, TUNISIA (50)
Implementation of risk based supervision, experiences and lessons learnt
IAIS and the General Insurance Committee, Tunisia
*French-speaking region

PARTNERSHIP WITH THE FINANCIAL STABILITY INSTITUTE

The IAIS has a long-standing partnership with the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS) to advance the implementation of insurance standards on a global scale.

FSI CONNECT AND THE FIRST ONE PROGRAMME

As a partner to the FSI, the IAIS contributes to the development of insurance content on the supervisors-only e-training platform FSI Connect. 2019 saw the launch of specialised FSI Connect modules on climate risk, cyber security, FinTech innovation facilitators and digital technology in inclusive insurance. Tutorials on the ICPs, enterprise risk management and anti-money laundering and combating the financing of terrorism were updated to reflect changes to IAIS' supervisory materials on these topics.

In 2019, the FSI together with the IAIS, developed Executive Summaries (brief, printable documents that succinctly describe the most important aspects of the topic) on key insurance supervision topics, including "[Fintech developments in the insurance industry](#)", "[Common Framework for the Supervision of Internationally Active Insurance Groups](#)", and "[Insurer Cybersecurity](#)".

The sixth cohort of the FIRST ONE Programme, a unique training programme designed to provide a basic understanding of insurance supervision to those new to the sector, launched with 196 participants from 45 jurisdictions. Delivered yearly between August and December, the FIRST ONE Programme uses a combination of FSI Connect online tutorials and webinars to cover foundational topics on insurance supervision. This programme consistently receives positive reviews from IAIS Members and is particularly praised for its accessibility and up-to-date content.



HIGH-LEVEL MEETINGS AND REGIONAL SEMINARS

The IAIS and the FSI collaborated with IAIS Members to host two high-level meetings in Asia and Latin America during 2019.

- The 2nd Asia-Pacific high-level meeting on insurance supervision took place in Macao SAR on 24 May 2019 and was jointly organised by the Asian Forum of Insurance Regulators (AFIR), the FSI, the IAIS and the Monetary Authority of Macao.
- The 3rd high-level meeting on global insurance standards and supervisory priorities in the Americas was co-organised by the IAIS, the FSI, the Latin American Association of Insurance Supervisors (ASSAL) and the General Superintendence of Insurance of Costa Rica (SUGESE). The event took place on 14 October 2019 in San Jose, Costa Rica.

The IAIS and FSI co-organised three regional seminars in Asia, Latin America and Sub-Saharan Africa during 2019.

- Regional seminar for insurance supervisors in Latin America took place in Panama City on 8-10 May and was jointly organised with ASSAL and the Insurance and Reinsurance Superintendency of Panama.
- Regional seminar for insurance supervisors in Sub-Saharan Africa took place in Cape Town on 20-22 August and was jointly organised with the South African Reserve Bank.
- Regional seminar for insurance supervisors in the Asia Pacific region took place in Singapore on 3-5 December and was jointly organised with the ASEAN Insurance Training & Research Institute and the Monetary Authority of Singapore.

POLICY IMPLEMENTATION PUBLICATIONS

As part of the FSI Insights series, the FSI published two papers with insurance sector relevance. FSI Insights No. 20 "[Turning up the heat - climate risk assessment in the insurance sector](#)" describes the range of regulatory approaches that specify how insurers are expected to assess their climate risk exposures and techniques that supervisors can use to conduct their own assessment of climate risks. FSI Insights paper No. 21 "[Varying shades of red: how red team testing frameworks can enhance the cyber resilience of financial institutions](#)" provides useful information about differences in existing red team testing frameworks and the benefits derived and challenges faced by authorities in jurisdictions that have already implemented their respective frameworks.

PARTNERSHIP WITH THE ACCESS TO INSURANCE INITIATIVE

The year 2019 marked the 10-year anniversary of the Access to Insurance Initiative's (A2ii) founding as a unique partnership between the IAIS and development partners. The A2ii has emerged as the IAIS' implementation partner for inclusive insurance, working closely with supervisors to support financial inclusion and sharing information with the IAIS on developments in inclusive insurance markets.

IAIS-IAA-A2II TRAINING PROGRAMME FOR LEVERAGING ACTUARIAL SKILLS

On 1 November 2017, the IAIS, the International Actuarial Association (IAA) and A2ii signed a five-year agreement to enhance the actuarial skills of supervisory authorities. The key outcomes will be the development and delivery of supervisory capacity building training programs on actuarial services.

Date	Region	Location	Participants	Jurisdictions
11-16 February	Sub-Sahara Region	Mauritius, Sub-Saharan Africa	29	15
1-6 April	Off-shore & Caribbean	Trinidad and Tobago, Caribbean	31	16
5-10 August	Asia	Jakarta, Indonesia	30	12



ICP SELF-ASSESSMENT TOOL

The A2ii launched the [Insurance Core Principles \(ICPs\) self-assessment tool](#) in November 2019. The web-based tool enables supervisors to assess their observance of the ICPs through a series of questionnaires. The questionnaires are based on the analytic tool developed by expert teams of supervisors for the IAIS' assessments.

Through this partnership, three seminars were organised in 2019 with 91 participants from 53 jurisdictions.

ROUNDTABLE ON INSURANCE FOR WOMEN: SPECIFIC NEEDS AND INCLUSION

The IAIS, the A2ii and the Superintendencia de Seguros de la Nación Argentina (SSN) held a roundtable to raise awareness about women's access to insurance. The event took place on 12 June 2019, alongside the IAIS Global Seminar in Buenos Aires, Argentina.

A2II-IAIS CONSULTATION CALLS

The A2ii-IAIS Consultation Calls are bi-monthly topic-focused webinars for insurance supervisors. During 2019, four calls were conducted during the course of each day - two in English, one in French and one in Spanish, enabling supervisors in all time zones to participate and discuss current regulatory and supervisory topics and trends around access to insurance.

Presentations delivered during the calls and a report synthesising discussions are published on the A2ii [website](#) in three languages.

24 January	Regulating InsurTech: Role of the regulator in managing data risks and protecting consumers
21 March	RegTech and SupTech: Implications for Supervision
23 May	Bridging the Gender Gap: The Role of the Insurance Supervisor
18 July	Stimulating Demand: the Supervisor's Role in Building Insurance Awareness
26 September	Cyber Risk in the Insurance Sector
28 November	Cloud Computing: Regulatory and Supervisory Approaches

IAIS STRATEGIC PLAN

In addition to its mission statement, the IAIS is guided by a five-year Strategic Plan and Financial Outlook (SPFO). In 2019, the IAIS adopted a new SPFO for the period 2020-2024 that sets out the IAIS High Level Goals (HLGs) and strategies for the next five-years.

Following a decade of significant focus on addressing the fault lines exposed by the global financial crisis, this next strategic cycle will see a period of stability in standard-setting activities. From 2020 onwards, finalisation and implementation of agreed reforms remain a critical priority, but the focus will shift to the next horizon with an enhanced focus on implementation, assessment and capacity building activities.

The IAIS has identified trends and developments that have the potential to reshape the business of insurance in the coming years.

The new strategic plan foresees IAIS core activities pivot in ways that help our Members proactively respond to a rapidly changing global environment driven by technological innovation, shifts in consumer behaviour and societal challenges.

These have been cemented in the HLGs, which will guide the Association's work and leverage the potential for effective collaboration with partner organisation, other standard-setting bodies and industry stakeholders.

HIGH LEVEL GOALS FROM THE SPFO

HLG 1

The IAIS assesses global market trends and developments in, or relevant to, the insurance sector and responds to issues that present opportunities, challenges and risks relevant to our mission.

The IAIS anticipates shifting towards increased monitoring of new vulnerabilities and trends that are either emerging or accelerating and that could pose a threat to or opportunity for policyholder protection and financial stability.

HLG 2

The IAIS sets and maintains globally recognised standards for insurance supervision that are effective and proportionate.

Following a long period of extensive supervisory development work, the IAIS anticipates a period of greater stability for its supervisory material, while noting that it remains a priority to finalise delivery of an Insurance Capital Standard through the monitoring phase in the coming SPFO period. Greater stability for the IAIS standards does not mean that the IAIS' core function as a standard setter will end. Rather, further changes to the IAIS' supervisory material must be guided by monitoring and assessing implementation and an orientation towards emerging and accelerating risks.

HLG 3

The IAIS supports its Members by sharing good supervisory practices and facilitating understanding of supervisory issues.

The IAIS anticipates an increasing role in supporting supervisors to put our supervisory material into practice. Activities in this area will be informed by the IAIS' monitoring of market developments, emerging and accelerating risks and assessment of implementation gaps.

HLG 4

The IAIS assesses and promotes observance of its supervisory material.

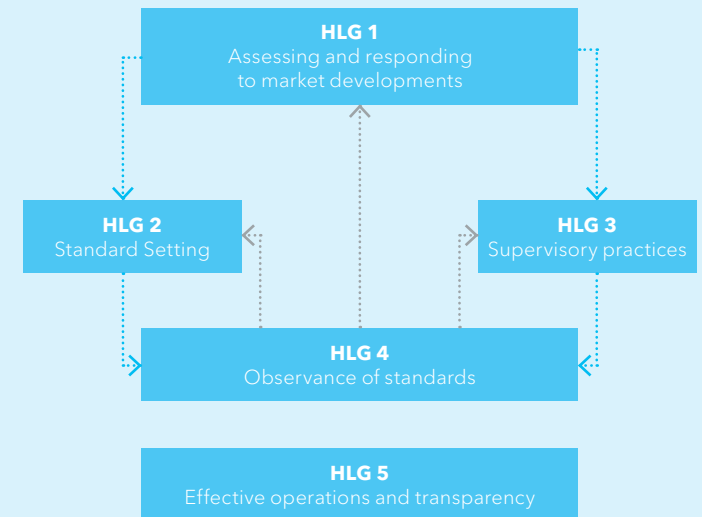
With greater stability in the IAIS' supervisory material, the focus will necessarily shift to a greater emphasis on assessing implementation and facilitating supervisory capacity building.

HLG 5

The IAIS operates effectively, efficiently and transparently in delivering its mission and in communicating with stakeholders.

The demands of responding to rapidly changing trends and developments will require careful stewardship of resources. The IAIS will continue its commitment to strengthening its governance, processes and controls to ensure effective and efficient delivery on our priorities.

The IAIS also recognises that transparency is essential for maintaining confidence in the IAIS' decisions and delivering on our strategy. The IAIS will continue to build on its efforts to proactively and effectively engage with its broad range of stakeholders.



STRATEGIC THEMES FROM THE SPFO

The SPFO sets out that the integrated cycle of IAIS activities (monitoring, standard setting, supervisory practices and implementation assessment) will focus on specific themes driven by the trends and developments in insurance markets and supervisory organisations.

Many of these themes are areas of common interest with other standard-setting bodies, but also have a particular insurance sector perspective and have the potential to impact both our developed and emerging market Members.



TECHNOLOGICAL INNOVATION

FinTech presents significant opportunities for financial inclusion and policyholder value, but also poses operational and underwriting risks. The rapid expansion in alternative data sources and advanced data analytics is of particular impact and has the potential to disrupt the insurance market.



CYBER RISK

Insurers are not only exposed to cyber risks but are also active takers of cyber risk through their cyber underwriting activities.



CLIMATE RISK

Insurers are exposed to both transition risk as institutional investors and physical risk from natural disasters through their underwriting. They can also be key agents in the mitigation and management of climate risk.



CONDUCT AND CULTURE

Technological changes to the insurance business model present new conduct challenges, such as the supervision of the use of advanced data analytics. A holistic approach to market conduct and prudential supervision is called for, recognising that conduct and culture issues could lead to financial soundness and stability concerns.



FINANCIAL INCLUSION AND SUSTAINABLE ECONOMIC DEVELOPMENT

Insurance supervision has an important role to play in insurance market development and, more broadly, sustainable economic development, in the wider context of achieving the IAIS' mission. Policyholder protection and contributing to financial stability are fundamental to ensuring the sustainable involvement of the insurance sector in closing the protection gap, including resilience to natural disasters and security in old age; supporting inclusive insurance markets; promoting sustainable long-term investment; and the development of the cyber insurance market in support of a more resilient financial system.

These strategic themes have the potential to reshape the broader economy, the financial system and the insurance sector specifically. As the global community of insurance supervisors, IAIS Members need to remain keenly aware of and respond with agility and insight to these future-oriented trends and developments. The IAIS has heightened efforts to be forward-looking and collaborative in supporting Members to create effective supervisory responses to these key themes. The IAIS has already begun to lay the groundwork for these efforts in 2019.

Identifying and responding to emerging trends and developments is crucial to supporting our Members and providing supervisors with the tools they need in this rapidly changing environment. The IAIS looks forward to this new programme of work from 2020 onwards.



TECHNOLOGICAL INNOVATION

Rapidly increasing developments in technological and digital innovation will likely have the most far-reaching effect on our sector, both by presenting significant opportunities but also potentially heightening existing risks or introducing new forms of these. We launched a virtual FinTech Forum for supervisors to exchange information and perspectives on key technological developments affecting the insurance sector and to help inform the development of future IAIS guidance in this regard. Several insights have already emerged from these discussions, including opportunities for the increased adoption of regulatory and supervisory technologies (RegTech and SupTech). Expanding our engagement, we met with technology leaders on topical issues such as big data and artificial intelligence. In addition, the IAIS actively participates in the FSB's Financial Innovation Network (FIN).



CYBER RISK

Cyber risk has been increasing for several years, in line with expanding digitisation, interconnectedness and cyber threats. In 2018, the IAIS published an [Application Paper](#) to support enhanced supervisory practices for managing cyber resilience. Throughout 2019, our attention shifted to exploring how insurers are underwriting cyber risk and encouraging the sustainability of cyber insurance. We established a small expert group in 2019 with the mandate to examine the challenges for sustainable development of this line of business and the role of insurance supervisors in overcoming the identified challenges.



CLIMATE RISK

Building on the 2018 [Issues Paper](#) on Climate Change Risks to the Insurance Sector that we published in partnership with the Sustainable Insurance Forum (SIF), we shifted our attention in 2019 to implementation actions. Disclosure was a core focus, which resulted in a joint [Issues Paper](#) by the IAIS and SIF, published for consultation in November 2019. The Paper recognises the important role of the FSB Task Force on Climate-related Financial Disclosures (TCFD) in establishing a framework for disclosures on climate risk. The Paper provides an overview of practices that supervisors have considered in the development of climate-related disclosure requirements within their markets. It also presents the outcomes of a SIF survey to gather a view of insurer's awareness, understanding and implementation of the TCFD Recommendations across jurisdictions.

In 2020, we will work on an Application Paper aimed at guiding supervisors on how to address challenges and opportunities arising from climate risk within the framework provided by the ICPs and ComFrame.



CONDUCT AND CULTURE

Conduct and culture are a key focus area for the IAIS, particularly to highlight the importance of a more overarching approach to prudential and conduct supervision, recognising that conduct risks can have considerable financial soundness and stability impacts and vice versa. As a first step to addressing this theme, we plan to develop an Issues Paper that will explore the importance of culture for insurers and supervisors, focusing on the role of culture as an intersection point between prudential and conduct risks. The Paper will include case studies and examples showing how insurer culture can lead to specific positive and negative outcomes for insurers and policyholders.



FINANCIAL INCLUSION AND SUSTAINABLE ECONOMIC DEVELOPMENT

Policyholder protection and contributing to financial stability are fundamental to ensuring the sustainable involvement of the insurance sector in key areas such as:

- Closing the protection gap, including resilience to natural disasters and security in old age
- Supporting inclusive insurance markets
- Promoting sustainable long-term investment
- Developing the cyber insurance market in support of a more resilient financial system

In addressing our agenda on sustainability, we are working closely with our implementation partner for financial inclusion, the Access to Insurance Initiative (A2ii), supporting supervisors in their respective efforts to bring insurance to traditionally underserved segments. In addition, we have continued to support Members who have a focus on market development through capacity building and knowledge sharing.

Rapidly increasing developments in technological and digital innovation will likely have the most far-reaching effect on our sector, by presenting significant opportunities but also by potentially heightening existing risks.

IAIS ANNUAL EVENTS

IAIS annual events are integral to IAIS work. They provide a face-to-face opportunity for Members and stakeholders to meet, discuss, debate and agree on the many important topics of shared interest.

Through interactive panels, robust dialogue and extensive networking opportunities, the Global Seminar and Annual Conference help to foster and reinforce the mutual understanding and awareness of the diverse perspectives of our many Member jurisdictions and stakeholders. In turn, this engagement produces the kind of cooperation and collaboration necessary to develop the shared commitment to achieving consensus in setting and applying global insurance standards.

Through interactive panels, robust dialogue and extensive networking opportunities, the Global Seminar and Annual Conference help to foster and reinforce mutual understanding and awareness.

GLOBAL SEMINAR

The 12th IAIS Global Seminar took place 13-14 June 2019 in Buenos Aires, Argentina, welcoming over 300 attendees.

The 2019 Global Seminar featured some format changes designed to inject more opportunities for stakeholder participation and audience interaction. For the first time, the Global Seminar included several stakeholder-led panels, as well as a one-to-one conversation between Executive Committee Chair, Vicky Saporta, and President of the Global Federation of Insurance Associations (GFIA) Recaredo Arias, resulting in a lively and interactive set of discussions.

Participants joined panel discussions covering topics such as new technologies, culture, conduct and governance, climate risk and economic development and resilient communities. The Executive Committee Dialogue provided an opportunity for stakeholders to ask questions to the Executive Committee members and, in turn, for the Executive Committee members to share their perspectives with stakeholders.

As the key stakeholder event for the IAIS, the Global Seminar is a significant opportunity to engage with stakeholders and take their feedback into our strategic planning cycle.

Videos and slide presentations from IAIS events are available on the [IAIS website](#).



ANNUAL CONFERENCE

The 26th IAIS Annual Conference was held 14-15 November 2019 in Abu Dhabi, United Arab Emirates (UAE). With almost 500 attendees, it was the most-attended Annual Conference in IAIS history.

In keeping with the conference theme of "Supervision in a Digital Era", discussions focused on technology and innovation topics that are transforming the insurance sector and society – and consequently insurance supervision.

Panels explored supervisory readiness and effective approaches to supervision in an increasingly digital world. This ranged from perspectives on the evolving cyber-risk landscape and the impact on insurers, both as potential targets of cyber threats and as providers of cyber protection, to the opportunities and challenges related to the increased availability of data and the enhanced processing capabilities for insurers, including the use of artificial intelligence and machine learning, as well as the promise of technology in helping to increase access to insurance.

Attendees were welcomed by Secretary General Jonathan Dixon, Executive Committee Chair Vicky Saporta and H.E. Abdulla Al Saleh, Undersecretary Foreign Trade & Industry at the Ministry of Economy, UAE. Vicky Saporta, Jonathan Dixon and IAIS leadership shared presentations on the major milestones in 2019 and the outlook for 2020.

The 2019 Annual Conference also saw the introduction of additional formats to share perspectives on new and emerging areas of supervisory focus. During three concurrent Lunch & Learn sessions, Members learned about the experiences Singapore and the Netherlands had with the use of technology for supervisory purposes, and also heard from the World Bank on emerging perspectives in this area. A regional FinTech lunch provided an overview of FinTech developments in the UAE.

Videos and slide presentations from IAIS events are available on the [IAIS website](#).



2019 DISTINGUISHED FELLOWS

Since its creation in 2004, the IAIS Distinguished Fellows Programme has honoured former Member representatives for their outstanding service and substantial involvement in IAIS activities. Honourees are nominated and approved by their peers. It is a special way of paying tribute to those who have selflessly contributed their time and expertise to advance the IAIS mission.

In 2019, the IAIS conferred this honour upon two former colleagues.

**JULIE MIX-MCPEAK, (FORMERLY WITH
TENNESSEE DEPARTMENT OF COMMERCE
AND INSURANCE, USA)**



Julie Mix-McPeak contributed significantly to the work of the IAIS from 2014 until summer 2019, which marked the end of her tenure as Commissioner of the Tennessee Department of Commerce and Insurance. Her tireless efforts at the IAIS touched on multiple areas, foremost her contribution as Member of the IAIS Executive Committee from 2015 and as Vice Chair from 2016. Under Julie's stewardship in her role as Chair of the Performance and Compensation Committee, our current Secretary General, Jonathan Dixon, was hired. The new strategic direction of the Association was set in no small part due to her commitment as a Member of the SPFO Task Force. Julie was also a member of the ICS Task Force and the Stakeholder Engagement Task Force where she ensured enhanced engagement and transparency related to the work of the Association with our key stakeholders.

During her time with the IAIS, Julie was a sought after panellist and moderator at numerous IAIS Annual Conferences and other events.

**NORMA-ALICIA ROSAS RODRIGUEZ, (FORMERLY
WITH CNSF, MEXICO)**



Norma-Alicia Rosas Rodriguez was a long-serving Member of the IAIS and was actively involved in several working groups and committees since 2002. In 2015, the same year she was named Head of the Comisión Nacional de Seguros y Finanza (CNSF), Norma was also elected to the IAIS Executive Committee. In parallel, Norma extended her knowledge and experience to the Implementation and Assessment Committee, where she was a member from 2014-2019.

As a member and recent President of the Association of Insurance Supervisors of Latin America (ASSAL), Norma was very active in organising conferences on insurance supervision in conjunction with the IAIS and on focusing on the implementation of the ICPs in the Latin America region.

Norma also held the Chair of the Insurance and Private Pensions Committee (IPPC) of the Organisation for Economic Co-operation and Development (OECD). And, since 2003, she has been a member of the Regulation Committee and the Solvency Subcommittee of the International Actuarial Association (AIA).

FINANCIAL STATEMENTS

BALANCE SHEET

AT 31 DECEMBER 2019
(IN SWISS FRANCS)

	Note	2019	2018
ASSETS			
Cash and cash equivalents	6	8,690,390	9,931,676
Other short-term receivables	7	239,364	225,880
Prepaid expenses and accrued income		90,698	148,766
TOTAL CURRENT ASSETS		9,020,452	10,306,322
TOTAL ASSETS		9,020,452	10,306,322
LIABILITIES AND EQUITY			
Other short-term liabilities	8	100,000	100,000
Accrued expenses and deferred income	9	2,863,558	3,414,309
TOTAL LIABILITIES		2,963,558	3,514,309
Voluntary retained earnings		-	-
Balance brought forward		6,792,013	7,819,404
Net result for year		(735,118)	(1,027,391)
TOTAL EQUITY		6,056,894	6,792,013
TOTAL LIABILITIES AND EQUITY		9,020,452	10,306,322

There were no movements in equity during the year other than those included in the Balance Sheet.

The accompanying notes form part of these financial statements.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019
(IN SWISS FRANCS)

	Note	2019	2018
OPERATING INCOME			
Membership fees	3.1	6,792,625	6,110,913
Contributions received	3.2	1,700,000	2,000,000
TOTAL OPERATING INCOME		8,492,625	8,110,913
OPERATING EXPENSES			
Contributions paid	11	289,944	270,308
Staff costs	12	7,464,113	7,438,009
Other operating expenses	13	1,451,110	1,406,170
TOTAL OPERATING EXPENSES		9,205,167	9,114,486
OPERATING RESULT		(712,542)	(1,003,573)
Financial income	14	25	193
Financial expenses	15	(22,601)	(24,011)
NET RESULT FOR YEAR		(735,118)	(1,027,391)

Other than financial income and expenses included above, there was no non-operating income or expenses, no extraordinary items or significant adjustments in respect of prior periods.

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019
(IN SWISS FRANCS)

	Note	2019	2018
NET RESULT FOR YEAR		(735,118)	(1,027,391)
(Increase) in other short-term receivables		(13,484)	(25,743)
Decrease (increase) in prepaid expenses and accrued income		58,068	8,848
Increase (decrease) in other current liabilities		-	89,000
(Decrease) increase in accrued expenses and deferred income*		(550,752)	179,746
CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(1,241,286)	(775,540)
CASH (OUTFLOW)/INFLOW FOR FINANCING ACTIVITIES		-	-
CASH (OUTFLOW)/INFLOW FOR INVESTING ACTIVITIES		-	-
CHANGE IN CASH AND CASH EQUIVALENTS		(1,241,286)	(775,540)
Cash and cash equivalents at beginning of year	6	9,931,676	10,707,216
Cash and cash equivalents at end of year	6	8,690,390	9,931,676
CHANGE IN CASH AND CASH EQUIVALENTS		(1,241,286)	(775,540)

* Unlike 2018, the majority of expenses incurred during last quarter of 2019 were settled prior to the end of the year.

The accompanying notes form part of these financial statements.

1. NATURE OF ORGANISATION

The International Association of Insurance Supervisors ("IAIS" or "the Association") is an association established under Swiss Law. The Association is domiciled in Basel, Switzerland and receives fees from its Members worldwide.

The IAIS provides an independent forum for insurance supervisors to promote cooperation among its members in carrying out their responsibilities. Its mission is 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.

2. KEY ACCOUNTING PRINCIPLES

2.1 Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Swiss Law on Accounting and Financial Reporting (32nd Title of the Swiss Code of Obligations) enacted on 23 December 2011 by the Federal Assembly of the Swiss Confederation, that became effective on 1 January 2013. It is applicable to financial statements from the financial year 2015.

2.2 Scope of the financial statements

These financial statements contain all assets and liabilities that are controlled by the Association and in respect of which the economic benefits as well as the rights and obligations lie predominantly with the Association.

2.3 Basis of preparation

The financial statements have been prepared on a going concern basis. They have been prepared on the historical cost basis, and income and expense items are recorded on the accruals basis. All amounts disclosed in the financial statements have been rounded off to the nearest unit. The principal accounting policies are set out below.

2.4 Functional and presentation currency

The functional and presentation currency is the Swiss franc.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise bank current and deposit accounts which are highly liquid and readily convertible to cash.

2.6 Provision for bad debts

Provisions are recognised as a charge to the Income Statement if the Association has concern over the recovery of outstanding receivables. The policy of the Association is to write-off membership fees that remain unpaid for two consecutive years, or upon confirmation of non-recovery if earlier, in accordance with its fee policy.

2.7 Withholding taxes

Interest income is reported net of withholding taxes and included as part of financial income.

3. BENEFITS RECEIVED

3.1 Membership fees

The majority funding of the Association comes from membership fees paid by its Members who represent insurance regulators and supervisors in over 130 jurisdictions. As per the Association's By-Laws, the annual fees payable by each Member are determined by the General Meeting based on the recommendation of the Executive Committee. The yearly recommended fees are calculated based on a methodology approved by the Members to support the activities of the Association.

In 2019, the IAIS membership agreed on a revised fee methodology, applicable for 2020-2024. The methodology remained the same in several aspects with the main change being the creating of additional fee buckets in which Members could be better spread to reflect their GDP per capita and insurance premium size.

3.2 Contributions received

The IAIS is hosted by the Bank for International Settlements (BIS). It benefits from various support provided by the BIS that includes the provision of meeting organisation services, administration, accounting, human resources, legal and other advisory services, office space and IT equipment, and one full-time technical administrator. The BIS also administers a staff pension scheme of which a number of IAIS staff are entitled to membership. The pension obligations lie with the BIS and the IAIS has no legal commitment for the payment of pension amounts to staff.

During the period of 2015-2019, the BIS made annual financial contributions to the IAIS, in accordance with an agreement between both parties. This funding was in recognition of the financing gap created by the discontinuation of the industry Observer status from 2015. The annual contribution started at CHF 2,600,000 in 2015, and ended at CHF 1,700,000 in 2019.

In 2019, the BIS and IAIS signed a new agreement covering the period of 2020-2024. Under this new agreement, the BIS will continue providing an annual financial contribution to the IAIS in the fixed amount of CHF 2,000,000 per annum.

The Association also benefits from Members' secondment of staff to its Secretariat. The total amount of these benefits does not form part of these financial statements.

4. THIRD PARTY CONTRIBUTIONS

The use of these funds is restricted as determined by agreements with the contributors.

FSA Japan Grant

Funds are contributed annually to support the IAIS' activities and are held in a separate CHF-denominated bank account, on which there was a balance of CHF 35,513 as at 31 December 2019 (CHF 4,417 as at 31 December 2018). These funds are held outside the IAIS financial statements; all transactions are financially independent from the IAIS and the financial records are independently audited.

5. INCOME TAXES

The Association is exempt from Swiss income tax.

6. CASH AND CASH EQUIVALENTS

	2019	2018
CHF Current accounts	1,675,890	1,916,877
CHF Short term savings accounts	7,014,500	8,014,798
	8,690,390	9,931,676

7. OTHER SHORT-TERM RECEIVABLES

	2019	2018
Membership fees receivable	27,414	50,095
Other	225,200	204,635
	252,614	254,730
Less: provision for bad debts	(13,250)	(28,850)
	239,364	225, 880

Movement in provision for bad debts:

	2019	2018
Charge to operating expenses:		
Provision made during the year	98,022	28,850
Amounts recovered in year	-	-
Charge to operating expenses	98,022	28,850
Movement in provision:		
Opening balance	28,850	-
Charge to operating expenses	98,022	28,850
Amounts written off in year	(113,622)	-
Closing balance	13,250	28,850

8. OTHER SHORT-TERM LIABILITIES

	2019	2018
Contribution towards Annual Conference and General Meeting expenses (Note 10)	100,000	100,000
	100,000	100,000

9. ACCRUED EXPENSES AND DEFERRED INCOME

	2019	2018
Accrued expenses:		
Audit	10,000	11,000
Bank for International Settlements	1,141,949	1,800,692
Consultancy	30,802	19,200
Seminars	168,343	120,150
Travel	50,603	26,603
Website & IT	30,254	4,800
Other	468,218	279,871
Deferred income:		
Membership fees received in advance	963,389	1,151,993
	2,863,558	3,414, 309

Amounts due to the Bank for International Settlements are in respect of staff costs and other operating expenses. All other accrued expenses relate to third parties.

(1) Includes a holiday accrual for 2019. This accrual represents the salary value of vacations days earned but not taken by staff members at the end of the financial year

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

10. ANNUAL CONFERENCE AND GENERAL MEETING

	2019	2018
Contribution towards Annual Conference and General Meeting expenses	100,000	100,000
Over-accrual of 2016 Conference expenditure	-	(3,013)
	100,000	96,987

The Annual Conference fees and expenditure are the responsibility of the host. The host is also responsible for organising a General Meeting, the costs of which are borne by the IAIS. The IAIS set aside in its annual budget for 2019 a maximum amount of CHF 100,000 to cover the costs of the General Meeting and contribute towards costs related to the Annual Conference. Any net costs, after taking into account the IAIS contribution, are borne by the host.

11. CONTRIBUTIONS PAID

	2019	2018
Annual Conference and General Meeting (Note 10)	100,000	96,987
Regional seminars	129,944	113,321
Global seminar	60,000	60,000
	289,944	270,308

The IAIS contributes up to CHF 60,000 towards the costs of the Global Seminar. From 2019, hosts of the Global Seminar may charge registration fees to stakeholder participants on a cost recovery basis. The collection of fees and expenditure incurred are the responsibility of the host. Any net loss, after taking into account the IAIS contribution, is borne by the host.

12. STAFF COSTS

	2019	2018
Employment costs	7,254,145	7,096,584
Relocation	209,969	341,425
	7,464,113	7,438,009

The IAIS has on an annual average no more than 50 full time positions.

13. OTHER OPERATING EXPENSES

	2019	2018
Audit	9,207	9,984
Consultancy fees	42,515	28,000
Copies & postage (incl. editing)	9,856	200
FSI Connect licences	-	64,359
Information services	66,835	75,183
Insurance	94,926	94,925
Meeting expenses	139,209	162,189
Miscellaneous	12,660	9,795
Printing & documentation	22,738	16,481
Bad debts expense	98,022	28,850
Recruitment	24,310	26,552
Telephone & fax	3,902	5,182
Training	18,087	43,263
Travel	721,589	655,860
Website and IT	187,254	185,347
	1,451,110	1,406,170

The FSI Connect licenses expense occurs every two years and the benefits of the licenses lie with the recipient Members.

14. FINANCIAL INCOME

Interest on:

	2019	2018
Bank accounts	25	193
	25	193

The Association presents interest net of withholding tax. See also Note 2.

15. FINANCIAL EXPENSES

	2019	2018
Bank charges & custody fees	1,272	1,335
Bank interest	20,956	22,757
Foreign exchange loss/(gain)	373	(81)
	22,601	24,011

16. INVESTMENT POLICY AND RISK MANAGEMENT

The Budget Committee meets at least four times a year and assesses the financial risks that could have an impact on the Association. The Secretariat monitors the day-to-day activities of the Association and provides regular reports to the Budget Committee.

The Association derives income primarily from membership fees. As a non-profit making organisation, it invests surplus income to fund future operations. Security of capital, represented by voluntary retained earnings, has a high priority within the investment policy, to ensure that the Association can continue as a going concern to support its activities for the foreseeable future.

As at 31 December 2019 the IAIS' investment in financial assets comprised banks current and deposit accounts.

16.1 Liquidity risk

The Association holds sufficient liquid funds to enable it to meet its liabilities as they fall due.

16.2 Foreign currency risk

The revenue and expenditure of the Association are predominantly received and paid in Swiss francs. To minimise the exposure of investments to foreign currency risk, investments are normally held in Swiss franc-denominated financial assets. The Association's cash and cash equivalents are also held in Swiss francs.

16.3 Credit Risk

The major source of funding for the Association is fees from Members. Members represent insurance regulators and supervisors from over 200 jurisdictions in more than 140 countries. Due to the nature of the Association's activities and broad membership, credit risk is considered to be low.

17. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events between the balance sheet and the approval of these financial statement by the IAIS Executive Committee on 26 June 2020 which could impact the book value of assets and liabilities or which should be disclosed in these financial statements.

AUDITOR'S REPORT

Report of the statutory auditor

to the General Meeting of International Association of Insurance Supervisors

Basel

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of International Association of Insurance Supervisors, which comprise the balance sheet, income statement, cash flow statement and notes, for the year ended 31 December 2019.

Executive Committee's responsibility

The Executive Committee is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the by-laws. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Executive Committee is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the by-laws.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 69b paragraph 3 CC in connection with article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 69b paragraph 3 CC in connection with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Association Executive Committee.

PricewaterhouseCoopers AG, St. Jakobs-Strasse 25, Postfach, CH-4002 Basel, Switzerland
 Telefon: +41 58 792 51 00, Telefax: +41 58 792 51 10, www.pwc.ch

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We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Marcel Aeberhard
 Audit expert
 Auditor in charge



Andrin Bernet
 Audit expert

Basel, 8 July 2020

Enclosure:

- Financial statements (balance sheet, income statement, cash flow statement and notes)



3 International Association of Insurance Supervisors | Report of the statutory auditor to the General Meeting

Victoria (Vicky) Saporta

United Kingdom
Prudential Regulatory Authority (PRA),
Bank of England (BoE)
Chair

David Altmaier

United States
Florida Office of Insurance Regulation
Vice Chair

Hiroshi Ota

Japan
Financial Services Agency (FSA)
Vice Chair

Suzette Vogelsang

South Africa
Prudential Authority
Vice Chair

Subhash C. Khuntia

India
Insurance Regulatory and
Development Authority of India (IRDA)
Chair, Budget Committee

Geoff Summerhayes

Australia
Australian Prudential Regulation Authority (APRA)
Chair, ARC

Elise Liebers (ex officio)

USA
National Association of Insurance Commissioners (NAIC)
Chair, PDC

Alberto Corinti

Italy
Istituto per la Vigilanza sulle Assicurazioni (IVASS)
Chair, MPC

Peter Braumüller (ex officio)

Austria
Financial Market Authority (FMA)
Chair, IAC

Gary Anderson

United States
Massachusetts Division of Insurance

Gabriel Bernardino

EIOPA
European Insurance and
Occupational Pensions Authority (EIOPA)

Else Bos (non-voting)

Netherlands
De Nederlandsche Bank (DNB)

Hassan Boubrik

Morocco
Autorité de Contrôle des Assurances et
de la Prévoyance Sociale (ACAPS)

Clement Cheung

China Hong Kong
Insurance Authority (IA)

Gorazd Čibej

Slovenia
Insurance Supervision Agency

Michael Consedine

United States
National Association of
Insurance Commissioners (NAIC)

Joaquin Cortez

Chile
Comisión para el Mercado Financiero (CMF)

Bernard Dupont

Canada
Office of the Superintendent of Financial Institutions (OSFI)

Raymond Farmer

United States
South Carolina Department of Insurance

Michele Fields

Bahamas
The Insurance Commission of the Bahamas

Frank Grund

Germany
Bundesanstalt für
Finanzdienstleistungsaufsicht (BaFin)

Frédéric Hervo

France
Autorité de Contrôle Prudentiel et
de Résolution (ACPR)
(Prudential Supervision and
Resolution Authority)

Carlos Izaguirre

Peru
Superintendencia de Banca, Seguros y
Administradoras Privadas de Fondos
de Pensiones del Peru

Donald Joshua Jaganathan

Malaysia
Bank Negara Malaysia

Godfrey Kiptum

Kenya
Insurance Regulatory Authority

Zhou Liang

China
China Banking and Insurance Regulatory
Commission (CBIRC)

Andrew Mais

United States
Connecticut Department of Insurance

William Mason

Guernsey
Financial Services Commission (GFSC)

Didier Millerot (non-voting)

European Commission

Ricardo Ochoa

Mexico
Comision Nacional de Seguros y Fianzas

Thomas Sullivan (non-voting)

United States
Board of Governors of the Federal
Reserve System (FRB)

Steven Seitz (non-voting)

United States
Federal Insurance Office of the United States
Department of Treasury (FIO)

Hern Shin Ho

Singapore
Monetary Authority of Singapore (MAS)

Chang-Woog Lee

Korea (Republic of)
Financial Supervisory Service (FSS) &
Financial Services Commission (FSC)

Ebrahim Obaid Al Zaabi

United Arab Emirates
Insurance Authority

Ante Zigman

Croatia (Republic of)
Croatian Financial Services
Supervisory Agency

Jonathan Dixon
Secretary General

Catherine Lezon
Deputy Secretary General (Date left: May 2019)

Romain Paserot
Deputy Secretary General

Conor Donaldson
Head of Implementation

Anna Aubel
Administrative Officer

Farzana Badat
Senior Policy Adviser (Date joined: April 2019)

Joao Carneiro
Finance Officer

Nicolas Colpaert
Senior Policy Adviser (Date joined: August 2019)

Aurélien Cosma
Senior Policy Adviser

Rogier Derksen
Senior Policy Adviser

Malene Duncan
Senior Policy Adviser (Legal)

Becky Easland
Senior Policy Adviser

Sylvie Ellet
Administrative Officer

Natalia Escobar
Senior Policy Adviser

Jules Gribble
Senior Policy Adviser (Date left: June 2019)

Martin Hahn
Senior Policy Adviser

Daisuke Hirose*
Policy Adviser (Date left: June 2019)

Stephen Hogge
Senior Policy Adviser (Communications) (Date left: July 2019)

Yukiko Kamegawa*
Policy Adviser (Date left: June 2019)

Selina Keng*
Policy Adviser (Date joined: March 2019)

Bastiaan Kiviet
Senior Policy Adviser / Operations (Date left: February 2019)

Grzegorz Komarnicki
Senior Policy Adviser

Marika Komen-Brady
Senior Policy Adviser

Lance Leatherbarrow
Senior Policy Adviser (Date left: June 2019)

Jia Yun Loo*
Policy Adviser (Date left: May 2019)

Bernhard Mayr
Senior Policy Adviser (Date left: July 2019)

Jay Muska
Senior Policy Adviser

Akiko Nakamura*
Policy Adviser (Date joined: October 2019)

Alessandro Nardi
Senior Policy Adviser (Date joined: August 2019)

Carine Notter
Technical Administrator / IT Projects

Yasuaki Ohara*
Policy Adviser (Date joined: November 2019)

Danita Pattemore
Senior Policy Adviser

Andrei Radu*
Policy Adviser

Gemma Schneider
Administrative Officer

Alka Sharma
Administrative Officer

Zoe Smoke
Administrative Officer

Tomas Stastny
Policy Adviser

Peter van den Broeke
Senior Policy Adviser (Date left: June 2019)

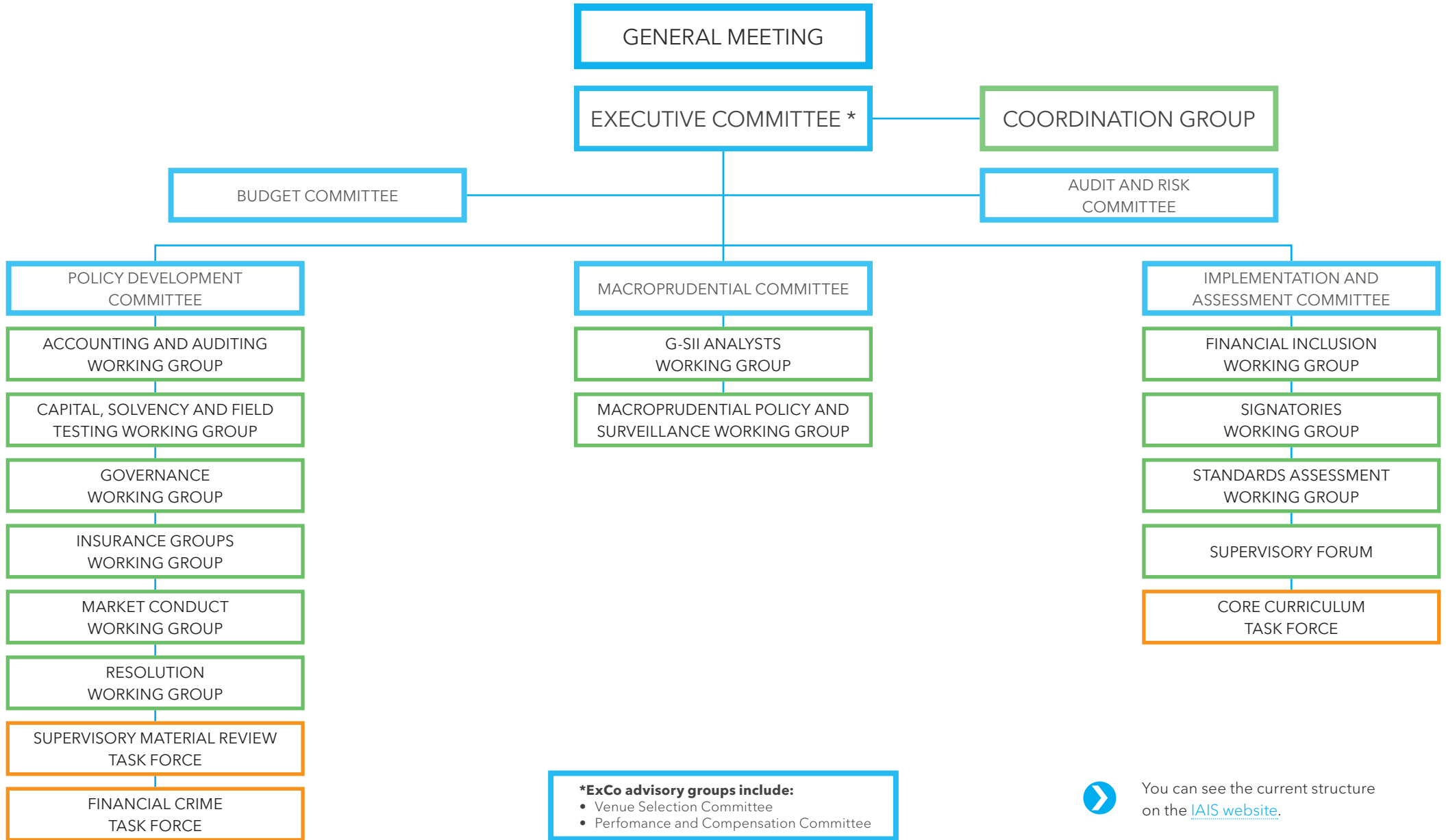
Hanne van Voorden
Senior Policy Adviser

Pierre-Jean Vouette
Senior Policy Adviser

Myungshin Yoo*
Policy Adviser

Jun Zhang*
Policy Adviser

Staff not financed by the IAIS indicated by an asterisk (*)



You can see the current structure on the [IAIS website](https://www.iais.org).