



**IAIS**

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

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# **Aggregate Report on the Results of the Holistic Framework Baseline Assessment**

**June 2021**

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The International Association of Insurance Supervisors (IAIS) is a voluntary membership organisation of insurance supervisors and regulators from more than 200 jurisdictions. The mission of the IAIS 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.

Established in 1994, the IAIS is the international standard setting body responsible for developing principles, standards and other supporting material for the supervision of the insurance sector and assisting in their implementation. The IAIS also provides a forum for Members to share their experiences and understanding of insurance supervision and insurance markets.

The IAIS coordinates its work with other international financial policymakers and associations of supervisors or regulators, and assists in shaping financial systems globally. In particular, the IAIS is a member of the Financial Stability Board (FSB), member of the Standards Advisory Council of the International Accounting Standards Board (IASB), and partner in the Access to Insurance Initiative (A2ii). In recognition of its collective expertise, the IAIS also is routinely called upon by the G20 leaders and other international standard setting bodies for input on insurance issues as well as on issues related to the regulation and supervision of the global financial sector.

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## Executive summary

1. This report provides the results and observations from the Baseline Assessment (BLA) of the implementation of the supervisory material related to the IAIS Holistic Framework for the assessment and mitigation of Systemic Risk in the Insurance Sector (Holistic Framework).
2. The Holistic Framework includes an enhanced set of supervisory policy measures for macroprudential purposes, designed to increase the overall resilience of the insurance sector and help prevent insurance sector vulnerabilities and exposures from developing into systemic risk. This includes new and revised standards in several Insurance Core Principles (ICPs), which are applicable to all insurers, and associated standards in the Common Framework for the Supervision of Internationally Active Insurance Groups<sup>1</sup> (ComFrame or CF). The IAIS adopted the Holistic Framework in November 2019, for implementation by IAIS members from the beginning of 2020.
3. The BLA is the starting point for the Implementation Assessment (IA) of the Holistic Framework supervisory material, with the aim of determining the extent to which supervisors have already implemented this supervisory material, ie it establishes a baseline level of implementation. This will be followed by more intense targeted jurisdictional assessments (TJA) in 2021. The IA promotes globally consistent and effective implementation of the Holistic Framework.
4. The BLA was conducted with the participation of supervisors from 26 jurisdictions<sup>2</sup> covering over 90% of the global insurance market and representing a geographically-balanced sample. This includes 16 jurisdictions identified as being a group-wide supervisor (GWS) of at least one Internationally Active Insurance Group (IAIG)<sup>3</sup>. For purposes of the assessment, the relevant supervisory material was grouped into five themes: (1) Macroprudential Supervision (MPS), (2) the Role of the Supervisor (RS), (3) Requirements on insurers in relation to Corporate Governance and Enterprise Risk Management (ERM), (4) Crisis Management and Planning (CMP), and (5) Powers of Intervention (PCM). Annex 2 provides a list of the ICP and ComFrame standards

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<sup>1</sup> The group-wide supervisor (GWS) is responsible for identification of Internationally Active Insurance Groups (IAIGs), in cooperation with other involved supervisors, after considering whether a group meets both the following criteria, provided in ComFrame:

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

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

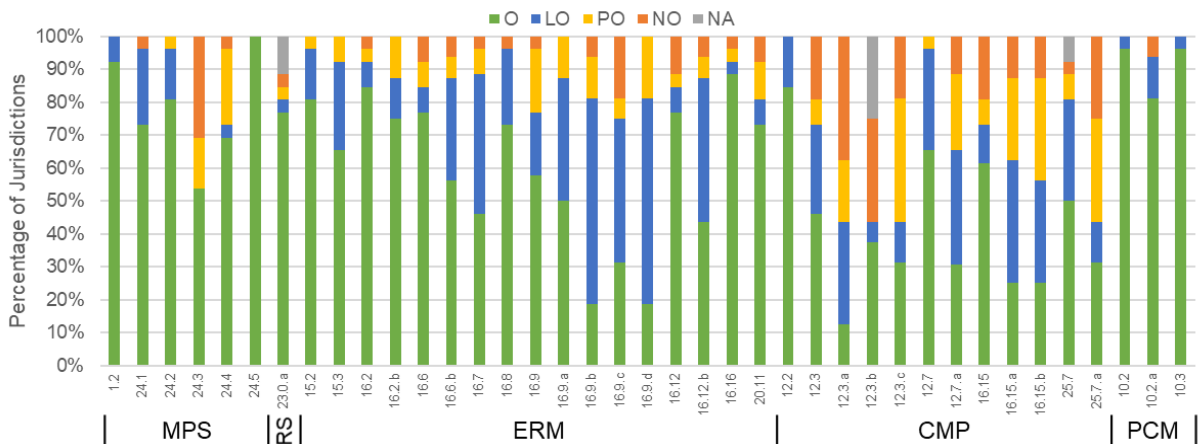
<sup>2</sup> See Annex 1 for a list of participating jurisdictions.

<sup>3</sup> As of 1 April 2021, forty-eight (48) IAIGs have been identified by relevant GWSs from 16 jurisdictions. Out of those 48 IAIGs, 47 IAIGs have been publicly disclosed by relevant GWSs from 16 jurisdictions [see: <https://www.iaisweb.org/page/supervisory-material/insurance-core-principles-and-comframe/file/96435/register-of-internationally-active-insurance-groups-iaigs>].

assessed. The reference date of the BLA is June-August 2020 when the participating jurisdictions submitted their responses to the questionnaire for the BLA to the IAIS.

5. Overall the BLA reflects a high level of observance and indicates that the 26 participating jurisdictions have made good progress with the implementation of the relevant standards of the Holistic Framework. This progress is particularly positive given that it was achieved in the context of the wider challenges of the global Covid-19 pandemic in 2020 and the fact that the Holistic Framework was only adopted at the end of 2019. However, it should be noted that the results are based on what is largely a self-assessment exercise (without an in-depth verification of supervisory practices). In-depth verification of supervisory practices will be undertaken in the next phase of implementation assessment (TJAs).
6. The BLA results are summarised by theme and standard below<sup>4</sup> (see Chart 1, Observed (O), Largely Observed (LO), Partly Observed (PO), Not Observed (NO) and Not Applicable (NA)).

**Chart 1: Observance levels by theme and standard**



7. **MPS:** There were six ICPs relevant to this theme of the Holistic Framework included in the BLA. A large majority of jurisdictions were assessed as O or LO for having financial stability as a supervisory objective (ICP standard 1.2) and taking actions to collect, assess and disclose macroprudential information (ICP standards 24.1, 24.2 and 24.5). However, the BLA reflects lower observance levels relating to (1) assessing the potential systemic importance of insurers and the insurance sector (ICP standard 24.3); and, (2) using the results of MPS in developing and applying supervisory requirements (ICP standard 24.4).

<sup>4</sup> The ICPs are applicable to the supervision of all insurers within a jurisdiction, including IAIGs. ComFrame provides additional standards and guidance applicable only to the supervision of IAIGs. This is reflected in the BLA approach including how the aggregated results are presented in this report:

- The assessment of all ICP standards (23) includes responses from all 26 supervisors;
- The assessment of most CF standards (14 out of 16) includes responses from the 16 IAIG GWSs; and
- The assessment of two CF standards (12.7.a and 23.0.a) includes responses from all 26 supervisors, as these are relevant for all jurisdictions in the potential role of an involved supervisor of an IAIG.

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8. RS: Only one CF standard (23.0.a), related to the determination of whether an insurance group or an insurance legal entity operating through branches is an IAIG, was relevant to both IAIG GWS and non-GWS jurisdictions. There were 20 (of 26) jurisdictions assessed as O; one as LO; one as PO; one jurisdiction did not observe the standard; and three jurisdictions currently do not apply this standard as they have replied they are neither an IAIG GWS nor an involved supervisor of an IAIG.
  9. Requirements on insurers in relation to Corporate Governance and ERM: There were 10 ICP standards and seven CF standards relevant to this theme of the Holistic Framework that were included in the BLA. Overall, 72% of the jurisdictions were assessed as O for the relevant ICP standards and 16% were assessed as LO with some minor shortcomings relating to (1) requiring an insurer's underwriting policy to address material relationships with macroeconomic conditions (ICP standard 16.7) and (2) requiring an insurer's ERM framework to comprehensively address liquidity risk (ICP standard 16.9). The observance level of the relevant CF standards are somewhat lower than the relevant ICP standards as the explicit requirements relating to liquidity (CF standards 16.9.a, 16.9.b, 16.9.c, and 16.9.d) and the inclusion of stresses in the insurer's own risk and solvency assessment process (ORSA), for example on counterparty exposures (CF standard 16.12.b), tended to not (yet) be set out in legislation or supervisory guidelines and/or implemented fully into the supervisory practices in all jurisdictions.
  10. CMP: There were five ICP standards and seven CF standards relevant to this theme of the Holistic Framework that were included in the BLA. Overall, all jurisdictions have a framework for resolving insurers (ICP standard 12.2) with 22 of 26 jurisdictions being assessed as O and the remaining four being assessed as LO. Jurisdictions also report that their powers are applied proportionately and with flexibility (ICP standard 12.7). However, there is variance in observance levels in respect to risk assessment and processes to be considered in advance of a resolution scenario (ICP standard 12.3), as 12 of 26 jurisdictions were assessed as O, seven were assessed as LO, two were PO and five were NO. In addition, there were three jurisdictions assessed as LO, two as PO and five jurisdictions assessed as NO with respect to evaluating in advance risks and options in recovery scenarios (ICP standard 16.15). The observance levels of the relevant CF standards vary significantly and are materially lower than the related ICP standards as the explicit requirements relating to the recovery and resolution of IAIGs had not (yet) been set out in legislation or supervisory guidelines and/or implemented fully into the supervisory practices in all jurisdictions, such as:
    - the requirement that supervisors and/or resolution authorities have a resolution plan in place for IAIGs as deemed necessary (CF standard 12.3.a) and that the IAIG maintain a recovery plan (CF standard 16.15.a);
    - the powers a jurisdiction is required to have in a resolution of an IAIG (CF standard 12.7.a); and
    - the planning requirements for recovery/resolution of an IAIG (CF standards 12.3.b, 12.3.c, and 16.15.b), and coordination between supervisors (CF standard 25.7.a).
  11. PCM: There were two ICP standards and one CF standard included in the BLA as relevant to this theme of the Holistic Framework relating to preventive and corrective measures taken by a supervisor when an insurer is operating in a manner inconsistent with regulatory requirements (ICP 10). There were 25 (of 26) jurisdictions assessed as

O for both ICP standards and one as LO. There were 13 (of 16) jurisdictions that are IAIG GWSs assessed as O, two as LO and one as NO for the related CF standard.

12. Observance levels compared across regions follow the same trends, except from the “Other” region (see Table 1). The “Other”<sup>5</sup> region lacks common characteristics, with varying degrees of market development.

**Table 1: Observance levels of ICP and CF standards (total) by region**

		Total	Asia and Oceania	North America	Western Europe	Other
Total ICPs	O	74%	77%	74%	83%	49%
	LO	15%	14%	19%	11%	20%
	PO	6%	4%	3%	4%	15%
	NO	6%	5%	4%	2%	15%
	NA	0%	0%	0%	0%	2%
Total CF	O	41%	28%	35%	52%	25%
	LO	29%	29%	47%	29%	4%
	PO	15%	28%	3%	10%	29%
	NO	12%	14%	9%	8%	33%
	NA	3%	1%	6%	1%	8%

13. General observance levels of ICP standards were slightly higher for jurisdictions that were IAIG GWSs compared to jurisdictions that were not GWSs. However, the observance level of the relevant CF standards for jurisdictions that are GWSs varies significantly and are materially lower than those for the related ICP standards. This reflects the fact that the CF standards were only adopted at the end of 2019.
14. The BLA provided each jurisdiction with the opportunity to report on any gaps in observance levels and implementation steps planned to address the gaps:
  - Most jurisdictions provided insight into the gaps they observed and the implementation steps planned to close the gaps. Primarily, jurisdictions noted that gaps appear due to: (1) the recent adoption of the Holistic Framework (November 2019); (2) conflict with other work priorities (eg. Covid-19 related efforts); and (3) proportionality (eg. jurisdictions having no, or just a single, IAIG).
  - The participating jurisdictions reported different approaches in addressing these gaps. Some jurisdictions are already in the process of adapting their framework while others expect changes to occur over the medium/longer term. For example: at the European level, the ongoing review of the European framework (Solvency II Directive) should close some of the gaps when the Directive has been modified and transposed at the jurisdictional level. Some jurisdictions reported the expectation of, or need for, additional guidance from the IAIS to fully implement the Holistic Framework. Some jurisdictions may differentiate their approach based on the

<sup>5</sup> The category “Other” includes two jurisdictions from Latin America and one each from the Central, Eastern Europe and Transcaucasia and Sub-Sahara Africa regions. Because the low number of participating jurisdictions from these regions could have led to the identification of individual jurisdiction results, these jurisdictions were grouped into an Other category.

individual risk of the IAIG, if they supervise more than one IAIG. For those jurisdictions that will be within the scope of the TJA, these different approaches to addressing the gaps in observance levels will be taken into consideration as part of the assessments.



## Acronyms

<b>BLA</b>	Baseline Assessment
<b>CMP</b>	Crisis Management and Planning
<b>EC</b>	European Commission
<b>EIOPA</b>	European Insurance and Occupational Pensions Authority
<b>ERM</b>	Requirements on insurers in relation to Corporate Governance and Enterprise Risk Management
<b>ET BLA</b>	Expert Team Baseline Assessment
<b>ExCo</b>	Executive Committee
<b>FSAP</b>	Financial Sector Assessment Program
<b>FSB</b>	Financial Stability Board
<b>GME</b>	Global Monitoring Exercise
<b>GWS</b>	Group-wide Supervisor
<b>IAC</b>	Implementation and Assessment Committee
<b>IAIS</b>	International Association of Insurance Supervisors
<b>ICP</b>	Insurance Core Principle
<b>MIS</b>	Management Information System
<b>MPC</b>	Macroprudential Committee
<b>MPS</b>	Macroprudential Supervision
<b>NAIC</b>	National Association of Insurance Commissioners
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PCM</b>	Preventive and Corrective Measures
<b>PRP</b>	Peer Review Process
<b>SAPR</b>	Self-Assessment and Peer Review
<b>SAWG</b>	Standards Assessment Working Group
<b>TJA</b>	Targeted Jurisdictional Assessments

## Introduction

15. The mission of the International Association of Insurance Supervisors (IAIS) 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 contribute to global financial stability.
16. The Implementation Assessment (IA) promotes globally consistent and effective implementation of the Holistic Framework. The IA prioritises IAIS member jurisdictions with insurance markets, or broader financial markets, that have a significant role in the global financial system. The IA started with a baseline assessment (BLA) in 2020 followed by more intensive targeted jurisdictional assessments (TJA) in 2021. This includes peer reviews of jurisdictional self-assessments and targeted in-depth verification of supervisory practices with respect to the Holistic Framework.
17. The IAIS adopted the Holistic Framework on 14 November 2019, for implementation from the beginning of 2020. As part of the Holistic Framework, the IAIS introduced new and revised standards in several Insurance Core Principles (ICPs) and the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) with the aim of enhancing or adding supervisory policy measures specifically designed to assess and mitigate potential systemic risk building up in the insurance sector. The Holistic Framework promotes a proportionate application of an enhanced set of supervisory policy measures and powers of intervention for macroprudential purposes to a broader portion of the insurance sector.
18. This BLA focuses on material specifically related to the Holistic Framework appearing in the ICPs and ComFrame, as adopted in November 2019 (available [here](#)). The assessment is based on the legislation and supervisory processes and practices that were in place at the time the Questionnaire was completed (June-August 2020).
19. Section 1 (Scope and Assessment Methodology) provides more detail on the themes, scope of standards and the methodology applied in the assessment. Section 2 outlines the level of IAIS member participation in the BLA. Section 3 provides the assessment results and observations.
20. The IAIS Executive Committee (ExCo) received a high level, preliminary overview of the results in November 2020 and a full report in March 2021.
21. As outlined in the Holistic Framework overarching document<sup>6</sup>, the IAIS committed to share the outcomes of the Holistic Framework Implementation Assessments with the Financial Stability Board (FSB) and the general public. The IAIS reported to the FSB on the results from the BLA in April 2021.
22. The Expert Team (ET BLA) that conducted the assessment consisted of Alexandra Desson (EIOPA, leader of the ET), Elise Tache (France, ACPR), Stephanie Siering (Germany, BaFin), Christina Beerli (Switzerland, FINMA), Todd Coslow (USA, FRB), Matt Walker (USA, FRB), Andrew Shaw (USA, Treasury) and David Wolf (USA, NAIC). Their work was supported by Rogier Derksen, Conor Donaldson and Selina Keng from the IAIS Secretariat. The IAIS is grateful to the ET BLA volunteers who put in many weeks of hard work to assess the participating jurisdictions.

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<sup>6</sup> <https://www.iaisweb.org/page/supervisory-material/financial-stability>

# 1 Scope and Assessment Methodology

## 1.1 Scope

23. This BLA covers Holistic Framework related standards. These include standards from the following ICPs (including ComFrame) adopted in November 2019<sup>7</sup>:
- ICP 1: Objectives, Powers and Responsibilities
  - 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 23: Group-wide Supervision
  - ICP 24: Macroprudential Supervision
  - ICP 25: Supervisory Cooperation and Coordination
24. The ICPs are applicable to the supervision of all insurers within a jurisdiction, including IAIGs. ComFrame provides additional standards and guidance applicable only to the supervision of IAIGs. This is reflected in the BLA approach, including how the aggregated results are presented in this report:
- The assessment of all ICP standards (23) includes responses from all participating supervisors;
  - The assessment of most CF standards (14 out of 16) includes responses from the GWSs of IAIGs; and
  - The assessment of two CF standards (12.7.a and 23.0.a) includes responses from all participating jurisdictions, as these are relevant for all jurisdictions in the potential role of an involved supervisor of an IAIG.

Annex 2 provides a detailed description of the ICP and ComFrame standards assessed.

25. The relevant standards are grouped in the following thematic categories:
- Theme 1: Macroprudential Supervision (MPS)
  - Theme 2: Role of the Supervisor (RS)
  - Theme 3: Requirements for Insurers in Relation to Corporate Governance and ERM (ERM)
  - Theme 4: Crisis Management and Planning (CMP)
  - Theme 5: Powers of Intervention (Preventive and Corrective Measures) (PCM)

## 1.2 Assessment Methodology

26. The ICPs set forth the objectives of insurance regulation and supervision and are the basis for assessing the regulatory framework and supervisory practices within a jurisdiction. The assessment methodology for the ICPs sets out the factors that should be considered in assessing the ICPs and describes how observance should be evaluated.
27. The framework described by the ICPs is general, recognising that supervisors require flexibility to determine how to achieve the objectives in their particular domestic context (eg. legal and market structure). The standards set forth requirements that are

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<sup>7</sup> See <https://www.iaisweb.org/page/supervisory-material/insurance-core-principles>

fundamental to the implementation of each ICP and provide the basis for assessing observance.

28. The BLA follows the assessment methodology set out in the Assessment Methodology of the ICPs and ComFrame as described in the introduction of the ICPs:
- For a Standard to be considered O, it is necessary that the supervisor has and exercises, when required, the legal authority and supervisory practices to effectively perform the requirements of the standard.
  - For a Standard to be considered LO, it is necessary that only minor shortcomings exist which do not raise any concerns about the supervisor's ability or intent to achieve full observance with the standard within a prescribed period of time.
  - For a Standard to be considered PO, there are sufficient shortcomings to raise doubts about the supervisor's ability to achieve observance.
  - For a Standard to be considered NO, there is no substantive progress toward achieving observance.
  - For a Standard to be considered NA, the Standard does not apply given the structural, legal and institutional features of a jurisdiction.
29. The BLA followed the methodology of the IAIS Peer Review Process (PRP) as described in the Handbook for Assessing the Implementation of IAIS Supervisory Material (November 2019<sup>8</sup>) whereby each jurisdiction's reply to a self-assessment questionnaire is the main basis of determining the observance level. This approach allows the ET BLA to assess only inconsistencies in the answers, which may require clarification and/or support from the jurisdictions in the feedback loop.
30. The first step in the assessment was for jurisdictions to complete a self-assessment questionnaire<sup>9</sup>, developed by the ET BLA, consisting of:
- Closed-ended questions on legal requirements, supervisory processes, supervisory practices;
  - For some standards, closed-ended questions on whether there were relevant actions taken since 1 January 2019;
  - Open-ended questions: free format extra information or explanatory text to provide context (not subject to assessment); and
  - Open-ended questions: gaps and planned steps to implement the standards.
31. The ET BLA then assessed the responses from each jurisdiction using pre-agreed scoring criteria, applying an equal weight to whether the supervisor has and exercises, when required, (1) the legal authority and (2) the supervisory processes and practices to perform the standard. The ET BLA did not complete a qualitative assessment of the supervisory practices. Consequently, a jurisdiction may consider its observance to be higher/lower depending on the outcome it may achieve from the supervisory practices. The BLA will be followed by the TJA in 10 jurisdictions<sup>10</sup>, which will include an in-depth verification of supervisory practices.

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<sup>8</sup> <https://www.iaisweb.org/page/supervisory-material/financial-stability/file/87109/holistic-framework-for-systemic-risk>

<sup>9</sup> Jurisdictions were requested to check the consistency of their replies with other relevant reports (eg. Financial Sector Assessment Program (FSAP), past PRPs, etc). The ET BLA did not receive any additional information from the jurisdictions in relation to this request in the context of the BLA. The results of the BLA will be reviewed with the TJA team and used in desk analysis and onsite visits to the jurisdictions that are part of the TJAs.

<sup>10</sup> The jurisdictions that will be part of the TJA are: Canada; China; China, Hong Kong; France; Germany; Japan; Netherlands; Switzerland; United Kingdom; United States.

32. The ET BLA then completed a feedback loop with assessed jurisdictions, asking for:
- Information on “general powers” in place;
  - Information on the sharing of responsibilities (eg. on ICP 1);
  - Inconsistencies in relation to the factors included when assessing systemic importance and when developing and applying supervisory requirements (eg. on ICP 24);
  - Clarification of roles in answers of non-GWSs of IAIGs in relation to CF standards; and
  - Any misunderstandings of the questions.

The feedback loop was also the occasion for jurisdictions to provide clarifications or corrections to some of the answers provided. Changes were only accepted if they were explained clearly, supported by additional information, and when the ET BLA did not identify any inconsistency with previously submitted answers.

## 2 Member Participation

33. The BLA prioritised the participation of IAIS member jurisdictions with insurance markets, or broader financial markets, that have a significant role in the global financial system. In particular, GWSs from the Global Monitoring Exercise (GME) Sector-Wide Monitoring (SWM) participating jurisdictions<sup>11</sup> were invited to participate in the BLA. The jurisdictions that volunteer for the GME-SWM were not required to participate in the BLA, but could choose to do so.<sup>12</sup> In total, 26 jurisdictions provided their answers to the BLA self-assessment questionnaire and are included in this report. The United Kingdom’s response by the Prudential Regulation Authority (PRA) was a combined response with the Bank of England (BoE) and Financial Conduct Authority (FCA). For the United States, there are 56 member states counted as individual IAIS Members as well as the National Association of Insurance Commissioners (NAIC), the Federal Insurance Office (FIO) and the Federal Reserve Board (FRB) that are members in their own right. For the purpose of the BLA, the United States’ response was a combined response by the NAIC, the FIO and the FRB.
34. A regional representation of participating jurisdictions is reflected in the table below. The category “Other” includes two jurisdictions from Latin America and one each from the Central, Eastern Europe and Transcaucasia (CEET) and Sub-Saharan Africa regions. The BLA was conducted with the participation of 26 jurisdictions from seven regions, including 16 jurisdictions identified as being a GWS of at least one IAIG.<sup>13</sup>

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<sup>11</sup> The following criteria allow for broad coverage in terms of global participation in the SWM:

- The jurisdiction is a member of the FSB; or
- The jurisdiction is a home jurisdiction of at least one IAIG and/or of an insurer participating in the GME Individual Insurer Monitoring (IIM) Insurer Pool.

<sup>12</sup> Bermuda volunteered to participate in the BLA.

<sup>13</sup> As of 1 April 2021, forty-eight (48) IAIGs have been identified by relevant GWSs from 16 jurisdictions. Out of those 48 IAIGs, 47 IAIGs have been publicly disclosed by relevant GWSs from 16 jurisdictions. <https://www.iaisweb.org/page/supervisory-material/insurance-core-principles-and-comframe/file/96435/register-of-internationally-active-insurance-groups-iaigs>.

**Table 2: Regional Split**

	Asia and Oceania	North America	Western Europe	Other
GWS of IAIG(s) (16)	Australia; China Hong Kong; Japan; Singapore	Canada; USA	Austria; Belgium; France; Germany; Italy; Netherlands; Spain; Switzerland; United Kingdom	South Africa
Not GWS of IAIG(s) (10)	China; Chinese Taipei; India; Korea (Republic of)	Mexico	Sweden	Bermuda; Russia; Argentina; Brazil
Total (26)	8	3	10	5

### 3 Assessment Results and Observations

#### 3.1 Standards relating Macroprudential Supervision

##### Overall results

#### Macroprudential Supervision (MPS) - Objectives, Powers and Responsibilities of the Supervisor (ICP 1), Macroprudential Surveillance and Insurance Supervision (ICP 24)

The BLA scope of this theme relates to financial stability as one of the objectives of insurance supervision (**ICP standard 1.2**) and a supervisor's actions to (1) collect, assess and disclose macroprudential information (**ICP standards 24.1, 24.2 and 24.5**), (2) assess the potential systemic importance of insurers and insurance sector (**ICP standard 24.3**), and (3) use the results of macroprudential supervision to develop and apply supervisory requirements (**ICP standard 24.4**).

**Table 3: Overall Observance Level Summary - MPS**

	ICP 1.2	ICP 24.1	ICP 24.2	ICP 24.3	ICP 24.4	ICP 24.5	Total [ICP]
Observed	24	19	21	14	18	26	78%
Largely Observed	2	6	4	0	1	0	8%
Partly Observed	0	0	1	4	6	0	7%
Not Observed	0	1	0	8	1	0	6%
Not Applicable	0	0	0	0	0	0	0%

35. In relation to MPS, there were six ICP standards relevant in the context of the Holistic Framework. These ICP standards address the supervisor's role and responsibilities in considering macroprudential factors that impact individual insurers, the insurance sector and overall financial markets.
36. Overall, a large majority of jurisdictions were assessed as O or LO for having financial stability as a supervisory objective (ICP standard 1.2) and taking actions to collect, assess and disclose macroprudential information (ICP standards 24.1, 24.2 and 24.5). However, the BLA reflects lower observance levels relating to (1) assessing the potential systemic importance of insurers and insurance sector (ICP standard 24.3); and (2) using the results of MPS in developing and applying supervisory requirements (ICP standard 24.4).

##### Results per standard

37. The two ICP standards (24.3 and 24.4) having lower observance levels in relation to MPS are reflected throughout various regions and include jurisdictions with IAIGs.
38. For ICP standard 1.2, relating to a supervisor having the objective to contribute to financial stability, 24 of 26 jurisdictions were assessed as O, and two were assessed as LO. The jurisdictions assessed as LO indicated that they have an objective to contribute to financial stability but it is not clearly stated in primary legislation.

39. For ICP standard 24.1, relating to collecting data for MPS, 19 of 26 jurisdictions were assessed as O, six were assessed as LO, and one was NO. The jurisdiction assessed as NO indicated they did not collect data nor had immediate plans to do so. The jurisdiction is not a GWS of an IAIG.
40. For ICP standard 24.2, relating to analysing financial markets and the insurance sector as part of MPS, 21 of 26 jurisdictions were assessed as O, four were assessed as LO, and one was PO. The jurisdiction assessed as PO indicated they performed analysis of the insurance sector but not of the broader financial markets. The jurisdiction is not a GWS of an IAIG.
41. For ICP standard 24.3, relating to processes to assess the systemic importance of individual insurers and the insurance market, 14 of 26 jurisdictions were assessed as O, four were PO and eight were NO. The jurisdictions assessed as NO significantly differed in their responses, which ranged from actions being taken to establish processes in the future, to other jurisdictions stating that they did not view individual insurers nor the insurance sector as being systemic. The eight jurisdictions assessed as NO included five jurisdictions that are GWSs of an IAIG.
42. For ICP standard 24.4, relating to using results from MPS in developing and applying supervisory requirements, 18 of 26 jurisdictions were assessed as O, one was assessed as LO, six were PO and one was NO. The jurisdiction assessed as NO indicated they did not use results from MPS in developing and applying supervisory requirements nor had immediate plans to do so. The jurisdiction is not a GWS of an IAIG.
43. For ICP standard 24.5, relating to publishing relevant data and statistics on the insurance sector, all 26 of 26 jurisdictions were assessed as O.
44. Efforts are being made by several jurisdictions to strengthen supervisory efforts in assessing systemic risks and activities while developing stronger supervisory requirements for individual insurers and the insurance sector:
  - Some jurisdictions indicated that they collect information from several supervisors (and they coordinate/interconnect them). One jurisdiction explained that, for this purpose, it had created a dedicated committee to gather relevant macroprudential information from all relevant supervisors in the jurisdiction.
  - One jurisdiction mentioned various key reports published and used for MPS.
  - Others explained that they collected some macroprudential data directly from supervised entities, via reporting forms.
  - One jurisdiction explained that it had no macroprudential mandate but that it still collected some macroprudential data.
  - Others explained that they did not identify significant systemic risk in their jurisdiction, and for one of them it was a justification for the fact that they do not see the collection of macroprudential data as a priority.
45. Regarding the future developments on the application of ICP 24, one jurisdiction pointed out the role of the IAIS and the work being done on the IAIS Application Paper on MPS to improve the application of ICP 24. However, the results varied for ICP standard 24.3 (ie assessing systemic importance of insurers and the insurance sector). Of the eight jurisdictions assessed as NO:
  - Three jurisdictions indicated that actions are being taken to establish processes in the future;



- Two jurisdictions indicated that their current framework for supervision was sufficient as there were no significant issues with potential systemic importance in their respective insurance sectors;
- Two jurisdictions had no comment nor plans to improve application of ICP standard 24.3; and
- One jurisdiction noted that they are making efforts to comply with all standards.

### 3.2 Standards relating the Role of the Supervisor

#### Role of the Supervisor (RS) - Identification of an IAIG (ICP 23)

The BLA scope of this theme relates to the GWS' role, in cooperation with other involved supervisors, in determining whether an insurance group or an insurance legal entity, operating through branches, is an IAIG, after considering whether it meets both criteria of internationally activeness and size (CF standard 23.0.a).

#### Overall results

**Table 4: Overall Observance Level Summary – RS**

	CF 23.0.a*	Total [CF]
Observed	20	77%
Largely Observed	1	4%
Partly Observed	1	4%
Not Observed	1	4%
Not Applicable	3**	12%

\* The ET BLA assessed CF standard 123.0.a for all jurisdictions as this is relevant for all jurisdictions with respect to the potential role of an involved supervisor of an IAIG.

\*\*3 jurisdictions responded that they are not a GWS of an IAIG nor an involved supervisor of an IAIG and therefore consider this CF standard Not Applicable.

46. In relation to the theme “Role of the Supervisor”, only one CF standard in ICP 23 (CF 23.0.a.) on group-wide supervision is relevant in the context of the Holistic Framework. This standard is addressed to both the GWS and other involved supervisors. Standard CF 23.0.a is about the cooperation of the GWS with other involved supervisors to determine whether an insurance group or an insurance legal entity, operating through branches, is an IAIG and, therefore, this section includes responses from all 26 participating jurisdictions.
47. The GWS takes responsibility for the supervision of the IAIG as a whole, on a group-wide basis. Other involved supervisors are responsible for the supervision of the IAIG's individual insurance legal entities in their respective jurisdictions and take into account the effect of their supervisory actions on the rest of the IAIG. For CF standards that are addressed to both the GWS and other involved supervisors, the assessment of those standards is based on the role of the jurisdiction's supervisor. An assessment of a GWS jurisdiction should focus on whether it has put in place the necessary legislation and supervisory practices for coordination with other involved supervisors, whereas an assessment for another involved supervisor jurisdiction would focus on its role within

this context (for example, coordinating with the GWS on processes, exchanging information) (see ICPs November 2019 par. 47).<sup>14</sup>

48. For CF standard 23.a, 20 jurisdictions have been assessed as O, one as LO, one as PO. Only one jurisdiction did not observe the standard. Three jurisdictions currently do not apply this standard as they have replied that they are neither a GWS nor an involved supervisor of an IAIG.

#### Results per standard

49. The criteria to determine whether an insurance group, or an insurance legal entity operating through branches, is an IAIG should be considered by all jurisdictions.
- In the jurisdiction where the CF standard was LO, it was noted that cooperation with other supervisors is not always taking place.
  - In the jurisdiction where the CF standard is PO, it was noted that not all of the criteria have been considered nor is there cooperation with other jurisdictions in place to determine whether an insurance group is an IAIG. The jurisdiction noted that they are addressing the gap by amending their legislation.
  - In the jurisdiction where the CF standard is NO, none of the criteria are considered, nor has it been determined whether an insurance group or an insurance legal entity operating through branches (relevant insurer) is an IAIG. This jurisdiction has not provided information on how the gap will be closed.
  - In the three jurisdictions where the standard is NA, the jurisdictions indicated that they are neither a GWS of an IAIG (or another insurance group) nor are they supervising a branch of an identified IAIG. There is one jurisdiction where the standard is NA as they are not a GWS or 'other involved supervisor' of an IAIG, however they largely observe the standard as they apply all the criteria to determine whether an insurance group or legal entity is an IAIG, yet cooperation with other jurisdictions to determine whether an insurance group is an IAIG is not in place.
  - One jurisdiction mentioned that in the case of captive and state-owned insurers that form part of insurance groups, group-wide supervision will not be applied.
  - Another jurisdiction mentioned that the impact of branch operations is not directly addressed in its statutes addressing IAIG determination, but in practice branch operations are treated similarly to legal entities in other areas of state insurance regulation.
50. In relation to *cooperation amongst supervisors to identify an IAIG*, the following comments were received by jurisdictions:
- One jurisdiction explained that there was no uncertainty in the respective IAIGs' identification.
  - One jurisdiction commented that all information was publicly available for the GWS in identifying an IAIG.

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<sup>14</sup> Insurance Core Principles November 2019: para. 46. "The type of assessment of a jurisdiction's implementation of ComFrame will depend on whether, in that jurisdiction, there is: a group-wide supervisor of an IAIG; another involved supervisor; or both. Most ComFrame Standards are addressed to the group-wide supervisor and describe the outcomes they are expected to achieve, whereas some ComFrame Standards also include the other involved supervisors. Therefore, an assessment of a jurisdiction's implementation of ComFrame should reflect the role it has in the supervision of an IAIG. A jurisdiction where there is only another involved supervisor will not be assessed on the implementation of ComFrame Standards that are addressed only to the group-wide supervisor."

- One jurisdiction, that has currently not identified an IAIG, commented that the need to communicate and cooperate with other regulators when determining an IAIG is currently NA; however, they will communicate with other regulators, as necessary, when determining whether an insurer is an IAIG.
- Not all “other involved supervisors” indicated that they have always been involved in the determination of IAIGs. Some “other involved supervisors” explain that GWSs have never involved the relevant authorities in the IAIG identification process as an “other involved supervisor”.

### 3.3 Standards relating to Requirements on insurers in relation to Corporate Governance and Enterprise Risk Management

#### Requirements on insurers in relation to corporate Governance and Enterprise Risk Management (ERM) - Investments (ICP 15), Enterprise Risk Management for Solvency Purposes (ICP 16) and Public Disclosure (ICP 20)

The BLA scope of this theme relates to various requirements relating to corporate governance and risk management, including:

- Undertaking reviews and requiring strengthening of an insurer's ERM framework (**ICP standard 16.16**);
- Addressing liquidity risks, including ERM requirements and public disclosure requirements (**ICP standards 16.8, 16.9, 20.11; CF standard 16.9.a-d**);
- Addressing ERM requirements for counterparty exposures (**ICP standards 16.6, 16.12; CF standards 16.6.b, 16.12.b**);
- Addressing ERM requirements for macroeconomic exposure (**ICP standards 16.2, 16.7, 16.12; CF standard 16.2.b**); and
- Addressing requirements on investments and capital markets activities, aimed at mitigating/managing liquidity risk, counterparty exposures and/or macroeconomic exposures (**ICP standards 15.2, 15.3**).

Overall results

**Table 5: Overall observance level summary - ERM**

	ICP 15.2	ICP 15.3	ICP 16.2	CF 16.2.b	ICP 16.6	CF 16.6.b	ICP 16.7	ICP 16.8
Observed	21	17	22	12	20	9	11	19
Largely Observed	4	7	2	2	2	5	11	6
Partly Observed	1	2	1	2	2	1	3	0
Not Observed	0	0	1	0	2	1	1	1
Not Applicable	0	0	0	0	0	0	0	0

	ICP 16.9	CF 16.9.a	CF 16.9.b	CF 16.9.c	CF 16.9.d	ICP 16.12	CF 16.12.b	ICP 16.16
Observed	15	8	3	5	3	20	7	23
Largely Observed	5	6	10	7	10	2	7	1
Partly Observed	5	2	2	1	3	1	1	1
Not Observed	1	0	1	3	0	3	1	1
Not Applicable	0	0	0	0	0	0	0	0

	ICP 20.11	Total [ICP]	Total [CF]
Observed	19	72%	42%
Largely Observed	2	16%	42%
Partly Observed	3	7%	11%
Not Observed	2	5%	5%
Not Applicable	0	0%	0%

51. In relation to Corporate Governance and ERM, there were 10 ICP standards and seven CF standards relevant in the context of the Holistic Framework. These ICP standards and CF standards address prudent governance and risk management activities relating to investments, underwriting, liquidity management, solvency assessment, and the overall ERM framework, including insurers' ORSA. Successful implementation of ERM results give enhanced insight into an insurer's risk profile that promotes an insurer's risk culture, earnings stability, sustained profitability and long-term viability, as well as the insurer's ability to meet obligations to policyholders. Collectively practised in the industry, ERM supports the operation and financial performance of the insurance sector.
52. Overall, 72% of jurisdictions were assessed as O for the relevant ICP standards and 16% are LO, though there are some notable gaps relating to (1) requiring an insurer's underwriting policy to address material relationships with macroeconomic conditions (ICP standard 16.7) and (2) requiring an insurer's ERM framework to comprehensively address liquidity risk (ICP 16.9).
53. The observance level of the relevant CF standards are somewhat lower than the relevant ICP standards as the explicit requirements relating to liquidity (CF standards 16.9.a, 16.9.b, 16.9.c, and 16.9.d) and counterparty exposures (CF standard 16.12.b) had not (yet) been set out in legislation or supervisory guidelines and/or implemented fully into the supervisory practices for all jurisdictions.

### Results per standard

54. For the relevant Investment ICP standards (15.2 and 15.3), all authorities but two were either O (21 of 26 for ICP standard 15.2 and 17 of 26 for ICP standard 15.3) or LO (four of 26 for ICP standard 15.2 and seven of 26 for ICP standard 15.3). One jurisdiction was PO for ICP standard 15.2 because the jurisdiction indicated that it was implementing guidelines related to these investment management requirements in March 2021. Two jurisdictions were rated as PO for ICP standard 15.3, which relates to ensuring an insurer manages assets appropriately to its liability duration. One jurisdiction, assessed as PO, confirmed they had relevant requirements in legislation but did not have supervisory practices in place to review insurers. The other jurisdiction indicated that it was implementing guidelines relating to these investment management requirements in March 2021. A jurisdiction assessed as LO noted that the “prudent person principle” is included within their supervisory investment guidance and Insurance Code of Conduct, which states that “insurers must manage their investments in a sound and prudent manner that is consistent with the risk profile of the company.”
55. For the relevant ERM ICP standards (ICP 16), all participating jurisdictions report having requirements for and practices to review an insurer’s ERM framework, but with varying observance levels. For ICP standard 16.2, relating to stress testing of macroeconomic stress within the ERM framework, 22 of 26 jurisdictions were assessed as O, two were assessed as LO, one was PO and another was NO. The jurisdiction assessed as NO indicated it would advise insurers of the expectation but did not have relevant legal authority nor supervisory practices in place.
56. For ICP standard 16.6, relating to a counterparty risk appetite statement being included within the ERM framework, 20 of 26 jurisdictions were assessed as O, two were assessed as LO, two were PO and two were NO. The jurisdictions assessed as NO indicated they did not have specific references in legal authority nor supervisory practices.
57. For ICP standard 16.7, relating to an underwriting policy that considers macroeconomic conditions being included within the ERM framework, 11 of 26 jurisdictions were assessed as O, 11 were assessed as LO, three were PO and one was NO. The jurisdictions assessed as LO indicated that the requirement is not required in legislation but the expectation is set out in published supervisory guidelines. The jurisdiction assessed as NO indicated that they did not have specific reference in legal authority nor supervisory practices.
58. For ICP standard 16.8, relating to liquidity risk requirements within the ERM framework, 19 of 26 jurisdictions were assessed as O, six were assessed as LO, and one was NO. The jurisdiction assessed as NO indicated they did not have specific reference in legal authority nor supervisory practices on all aspects of the standard, although they noted that there are supervisory expectations within guidelines regarding the strategies, policies and processes in relation to maintaining adequate liquidity as they fall due in normal conditions.
59. For ICP standard 16.9, relating to more detailed liquidity risk management practices within the ERM framework, 15 of 26 jurisdictions were assessed as O, five were assessed as LO, five were PO and one was NO. In general, the jurisdictions assessed as PO did not have the more detailed requirements in legislation or published supervisory guidelines, but supervisors advise insurers when expectations are not being met. The one jurisdiction assessed as NO did not have the more detailed requirements

in legislation or published supervisory guidelines, nor did it have supervisory practices in place for the requirements.

60. For ICP standard 16.12, relating to macroeconomic stresses and counterparty exposures being considered within an insurer's ORSA, 20 of 26 jurisdictions were assessed as O, two were assessed as LO, one PO and three were NO. The jurisdictions assessed as NO did not have the detailed requirements in legislation or published supervisory guidelines, nor did they have supervisory practices in place for the requirements.
61. For ICP standard 16.16, relating to a supervisor reviewing an insurer's ERM Framework, including the ORSA, and requiring strengthening where needed, 23 of 26 jurisdictions were assessed as O, one was assessed as LO, one PO and one was NO. The jurisdiction assessed as NO did not review an insurer's ERM Framework nor have the supervisory practices in place for the requirements.
62. For ICP standard 20.11, relating to disclosure of liquidity risk and material liquidity risk exposures, 19 of 26 jurisdictions were assessed as O, two were assessed as LO, three PO and two were NO. One of the jurisdictions assessed as NO indicated that IFRS 7 would require all companies to make disclosures for liquidity risk but that there was no specific insurance regulatory requirement.
63. For the relevant ERM CF standards, 10 of 26 jurisdictions were NA due to not having a Head of an IAIG in their jurisdiction. Of the remaining 16 jurisdictions, 12 were fully observed for CF standard 16.2.b and nine for CF 16.6.b. Less than half of the 16 jurisdictions were fully observed for CF standards 16.9.a, 16.9.b, 16.9.c, 16.9.d and 16.12.b. The observance level of the relevant CF standards are somewhat lower due to the fact that explicit requirements relating to IAIGs, such as maintaining liquidity risk appetite statements, conducting liquidity stress testing, maintaining contingency funding plans, and conducting stress testing on counterparty risks have not (yet) been set out in legal requirements or supervisory guidelines. The CF standards also require these materials to be submitted to and reviewed by the supervisors on a regular basis (eg. annually and/or as part of the ORSA).
64. For CF standard 16.2.b, relating to a supervisor requiring an IAIG's risk measurement to include the resilience of its total balance sheet against macroeconomic stresses, 12 of 16 jurisdictions were assessed as O, two were assessed as LO and two PO. One of the jurisdictions assessed as PO reported that it has the requirements but not the supervisory practices. The other jurisdiction assessed as PO indicated that it has supervisory practices but indicated that legislation for group-wide supervision will be in place by March 2021.
65. For CF standard 16.6.b, relating to a supervisor requiring the Head of an IAIG to have a counterparty risk appetite statement, nine of 16 jurisdictions were assessed as O, five were assessed as LO, one as PO and another as NO. The jurisdiction assessed as NO reported that it has the supervisory practices in place to follow-up with the IAIG on its management of counterparty risk limits and that this will be in legislation by the end of 2021.
66. For CF standards 16.9.a, 16.9.b, 16.9.c, and 16.9.d, relating to detailed liquidity requirements for the Heads of IAIGs:
  - (CF 16.9.a) eight of 16 jurisdictions were assessed as O, six were assessed as LO, and two as PO;

- (CF 16.9.b) three of 16 jurisdictions were assessed as O, 10 were assessed as LO, two as PO, and one as NO;
  - (CF 16.9.c) five of 16 jurisdictions were assessed as O, seven were assessed as LO, one as PO and three as NO; and,
  - (CF 16.9.d) three of 16 jurisdictions were assessed as O, 10 were as LO, and three as PO.
  - The observance levels less than O are generally due to the detailed requirements not being required by legislation or supervisory guidelines at this stage. The NO ratings for CF standard 16.9.c relate to the absence of specific requirements by the applicable supervisor to require a Head of an IAIG to maintain a contingency funding plan to respond to liquidity stress events.
67. For CF standard 16.12.b, relating to a supervisor requiring the Head of an IAIG to assess counterparty stresses as part of its ORSA, seven of 16 jurisdictions were assessed as O, seven were assessed as LO, one as PO and one as NO. The jurisdiction assessed as NO reported that it does not have such a requirement nor the supervisory practices in place for the requirement: however, it pointed out guidelines that support the standard, which include expectations that all material sources of risk should be considered.
68. Although the levels of observance of the ICP and CF standards related to ERM differed, there were no remarkable findings relating to specific regions or jurisdictions based on whether they are GWSs or not.
69. Efforts are being made by jurisdictions to strengthen supervisory efforts in relation to ERM. The IAIS has several initiatives to support jurisdictional efforts including, but not limited to, strengthening the assessment and management of liquidity risks. Other jurisdictions have reported similar jurisdictional level initiatives and new legislation and guidance being implemented in 2021.

### 3.4 Standards relating to Crisis Management and Planning

#### Crisis Management and Planning (CMP)

The BLA scope of this theme relates to the standards on crisis management preparations and coordination (**ICP standard 25.7; CF standard 25.7.a**), recovery planning (**ICP standard 16.15; CF standards 16.15.a., 16.15.b**), resolution framework including resolution powers (**ICP standards 12.2, 12.7; CF standard 12.7.a.**) and resolution planning (**ICP standard 12.3; CF standards 12.3.a., 12.3.b., 12.3.c.**).

#### Overall results

**Table 6: Overall observance level summary - CMP**

	ICP 12.2	ICP 12.3	CF 12.3.a	CF 12.3.b	CF 12.3.c	ICP 12.7	CF 12.7.a*	ICP 16.15
Observed	22	12	2	6	5	17	8	16
Largely Observed	4	7	5	1	2	8	9	3
Partly Observed	0	2	3	0	6	1	6	2
Not Observed	0	5	6	5	3	0	3	5
Not Applicable	0	0	0	4**	0	0	0	0

	CF 16.15.a	CF 16.15.b	ICP 25.7	CF 25.7.a	Total [ICP]	Total [CF]
Observed	4	4	13	5	62%	28%
Largely Observed	6	5	8	2	23%	25%
Partly Observed	4	5	2	5	5%	24%
Not Observed	2	2	1	4	8%	20%
Not Applicable	0	0	2***	0	2%	3%

\* The ET BLA assessed CF standard 12.7.a for all jurisdictions as this is relevant for all jurisdictions with respect to the potential role of an involved supervisor of an IAIG.

\*\*Four jurisdictions responded that there have been no IAIGs for which it was deemed necessary to develop a resolution plan and therefore consider this CF standard to be NA.

\*\*\* Two jurisdictions responded that they are not a GWS of an IAIG nor an involved supervisor of an IAIG or a GWS of an insurance group that has not been identified as an IAIG and therefore consider this CF standard NA.

70. In relation to Crisis Management and Planning, there were five ICP standards and seven CF standards relevant in the context of the Holistic Framework. These ICP standards relate to crisis management and planning of an insurer, including recovery and resolution planning. The CF standards provide standards for the organisation of a Crisis Management Group involving more than one supervisor and more detailed supervisory powers and preparation for the recovery and resolution of an IAIG.
71. Overall, all jurisdictions have a framework for resolving insurers (ICP standard 12.2) with 22 of 26 jurisdictions were assessed as O and the remaining four being assessed as LO. Specifically, ICP standard 12.2 states “Legislation provides a framework for resolving insurers which: (i) protects policyholders; and (ii) provides for the absorption of losses in a manner that respects the liquidation claims hierarchy.” Jurisdictions also report that their powers are applied proportionately and with flexibility (ICP standard 12.7). However, there is variance in observance levels in respect to risk assessment and processes to be considered in advance of a resolution scenario (ICP standard 12.3) as 12 of 26 jurisdictions were assessed as O, seven were assessed as LO, two were PO and five were NO. In addition, there were three jurisdictions assessed as LO, two as PO and five as NO with respect to evaluating in advance risks and options in recovery scenarios (ICP standard 16.15).
72. The observance level of the relevant CF standards vary significantly and are materially lower than the related ICP standards, as the explicit requirements relating to the recovery and resolution of IAIGs had not (yet) been set out in legislation or supervisory guidelines and/or implemented fully into the supervisory practices in all jurisdictions, such as:
- The requirement that supervisors and/or resolution authorities have a resolution plan in place for IAIGs, as deemed necessary, (CF standard 12.3.a) and that the IAIG maintain a recovery plan (CF standard 16.15.a);
  - The 21 specific powers a jurisdiction is required to have in a resolution of an IAIG (CF standard 12.7.a); and
  - Detailed planning requirements for recovery/resolution of an IAIG (CF standards 12.3.b, 12.3.c, and 16.15.b) and coordination between supervisors (CF standard 25.7.a)



These lower observance levels reflect the fact that the CF standards were recently adopted, in November 2019.

Results per standard

73. For ICP standard 12.2, relating to a framework for resolving an insurer, 22 of 26 jurisdictions were assessed as O and four were assessed as LO. All jurisdictions reported having a framework for resolving insurers.
74. For ICP standard 12.3, relating to prospectively assessing operations and risks in a resolution scenario and having procedures in place for a resolution, 12 of 26 jurisdictions were assessed as O, seven were assessed as LO, two were PO and five were NO. The 14 jurisdictions assessed as LO, PO or NO included five jurisdictions that are GWSs of an IAIG. Jurisdictions assessed as NO reported that they have not implemented the requirements and have never made such an assessment.
75. For ICP standard 12.7, relating to an appropriate range of powers to resolve insurers effectively which are exercised proportionately and with appropriate flexibility, 17 of 26 jurisdictions were assessed as O, eight were assessed as LO, and one was PO. The jurisdiction assessed as PO indicated it did not have a specific resolution regime for insurers but relied on broader powers that reside with the courts. The jurisdiction is a GWS of an IAIG.
76. The observance levels for ICP standard 12.7 reflects both the powers available to the supervisor and how the supervisor exercises these powers in equal measure. The standard relates to legislative requirements as well as to the manner in which the power is exercised. As not all jurisdictions have exercised this power since January 2019, this latter part of the standard could not be assessed to the full extent. For a fully observed assessment, supervisors must both have an effective range of powers and have previously used these powers with appropriate proportionality and flexibility. Supervisors who have powers, but have never used them, did not meet the second part of this requirement and were therefore assessed as largely observing the standard. The TJAs will further examine how resolution powers are used in practice.
77. For ICP standard 16.15 relating to insurers being required to evaluate in advance risks and options in resolution scenarios, 16 of 26 jurisdictions were assessed as O, three were assessed as LO, two were PO and five were NO. The five jurisdictions assessed as NO included two jurisdictions that are GWSs of an IAIG. The two jurisdictions that are GWSs of IAIGs indicated that they are working on establishing the requirement. One jurisdiction noted a pilot was already taking place.
78. For ICP standard 25.7 relating to coordination amongst supervisors for crisis management preparations, 13 of 26 jurisdictions were assessed as O, eight were assessed as LO, two were PO, one was NO and two indicated the requirement was NA because they were not a GWS of an IAIG nor an involved supervisor of an IAIG or a GWS of an insurance group not being identified as an IAIG. The jurisdiction assessed as NO is a GWS of an IAIG and indicated it is in the process of implementing requirements for crisis management planning and coordination.
79. For CF standards 12.3.a, 12.3.b, 12.3.c, 12.7.a, 16.15.a, 16.15.b and 25.7.a, relating to more detailed recovery and resolution planning for IAIGs:
  - (CF standard 12.3.a): two of 16 jurisdictions were assessed as O, five as LO, three as PO, and six as NO.

- (CF standard 12.3.b): six of 16 jurisdictions were assessed as O, one as LO, five as NO, and four as NA.
  - (CF standard 12.3.c): five of 16 jurisdictions were assessed as O, two as LO, six as PO and three as NO.
  - (CF standard 12.7.a): eight of 26 jurisdictions were assessed as O, nine as LO, six as PO, and three as NO. The ones from the 7th bullet point onwards have been implemented less often in legislation or general powers (override rights of shareholders of the IAIG in resolution, override rights of shareholders of the IAIG in resolution, temporarily restrict or suspend the policyholders' rights of withdrawing their insurance contracts).
  - (CF standard 16.15.a): four of 16 jurisdictions were assessed as O, six as LO, four as PO and two as NO.
  - (CF standard 16.15.b): four of 16 jurisdictions were assessed as O, five as LO, five as PO, and two as NO.
  - (CF standard 25.7.a): five of 16 jurisdictions were assessed as O, two as LO, five as PO, and four as NO.
  - The observance levels lower than O are generally due to the fact that explicit requirements are not yet required by legislation or supervisory guidelines – reflecting the fact that the standard was only put in place in November 2019.
80. CF standard 12.7.a, which relates to the resolution of an IAIG, had amongst the lowest observance levels of any assessed standard. Unlike most aspects of group-wide supervision, which can be accomplished by the GWS acting individually, effective resolution of IAIGs requires the participation of all involved supervisors. Consequently, CF standard 12.7.a prescribes some necessary powers for both the GWS (eg. establishing a bridge institution) and involved supervisors (eg. revoking the licence to write new insurance business). The ET BLA therefore assessed CF standard 12.7.a for all jurisdictions as this is relevant for all jurisdictions with respect to the roles of both a GWS and an involved supervisor of an IAIG. The relatively low observance level partly relates to the prescriptiveness of the standard and the recent establishment of the CF standards. ICP standard 12.7.a is the most specific of any assessed standard. It includes 21 bullet points identifying specific powers that supervisors should have. Five jurisdictions reported that they have implemented all the prescribed resolution powers in their legislation. Other jurisdictions had several of these powers in place (eg. withdrawing licences, removing management, appointing an administrator, prohibiting the transfer of assets, etc). Three jurisdictions reported having none of the powers; these were not GWSs of IAIGs. One jurisdiction indicated it is not an involved supervisor of an IAIG.
81. The standards related to recovery planning also had below average observance levels. Several jurisdictions responded that whilst they do not have in place published requirements for recovery plans or the related management information systems, they do have supervisory expectations that align with the IAIS' standards. For example, in relation to CF standard 16.15.a, there are four jurisdictions that are also GWSs of IAIGs that do not have the requirements set out in legislation or in published supervisory guidelines, but advise on a case-by-case basis for recovery planning (CF standard 16.15.a). Two jurisdictions that are GWSs of an IAIG have no requirements nor expectations.
82. Observance of the resolution planning requirements (ICP standard 12.3; CF standards 12.3.a, 12.3.b, 12.3.c) was mixed. After recent changes in November 2019, these

standards only require resolution plans where they are deemed necessary. Five jurisdictions do not have resolution plans in place for their IAIGs:

- Four jurisdictions deemed resolution plans as not necessary.
- A few jurisdictions mention that resolution plans are only required for designated groups and no such designations have taken place.
- Other jurisdictions have resolution plans in place for at least one IAIG or for at least the holding company of the IAIG, or are in the process of validating the resolution plans.

83. The TJAs will further examine how jurisdictions determine where these plans are necessary. As noted above, the lower observance levels relating to CMP are reflected throughout various regions, including jurisdictions with IAIGs.

### 3.5 Standards relating to Powers of Intervention

#### Powers of Intervention (PCM) - Preventive Measures, Corrective Measures and Sanctions (ICP 10)

The BLA scope of this theme relates to preventive and corrective measures *responding in the context of the Holistic Framework to a threat to financial stability* taken by a supervisor when an insurer is operating in a manner inconsistent with regulatory requirements.

The GWS requires the Head of the IAIG to take preventive measures if a legal entity, within the IAIG or the IAIG as a whole, seems likely to operate in a manner that is inconsistent with regulatory requirements (**ICP standards 10.2, 10.3; CF standard 10.2.a**).

#### Overall results

**Table 7: Overall observance level summary – PCM**

	ICP 10.2	CF 10.2.a	ICP 10.3	Total [ICP]	Total [CF]
Observed	25	13	25	96%	81%
Largely Observed	1	2	1	4%	13%
Partly Observed	0	0	0	0%	0%
Not Observed	0	1	0	0%	6%
Not Applicable	0	0	0	0%	0%

84. In relation to the theme of Powers of Intervention, there were two ICP standards and one CF standard relevant in the context of the Holistic Framework. These standards address the authority and processes that require the supervisor to take preventive and corrective measures if an insurer is operating inconsistent with regulatory requirements.

85. In relation to ICP standards 10.2 and 10.3, determining when an insurer seems likely to operate in a manner that is inconsistent with regulatory requirements will require a degree of discretion on the part of the supervisor. If the insurer operates in a manner that is likely to impact its ability to protect policyholders' interests or poses a threat to financial stability, the supervisor should act more urgently in requiring preventive and/or corrective measures. In the BLA, the standards were only assessed *in the context of the Holistic Framework to pose a threat to financial stability*. In such instances, the

supervisor should have the power to issue and enforce restrictions on business activities; give directions to reinforce the insurer's financial position; and give other directions, including but not limited to, requiring the insurer to prepare a report describing actions it intends to undertake to address, through macroprudential surveillance, specific activities that the supervisor has identified as potentially posing a threat to financial stability (see ICP 24 MPS). The supervisor may also have other powers available, including: temporarily delaying or suspending, in whole or in part, the payments of the redemption values on insurance liabilities or payments of advances on contracts; lowering the maximum rate of guarantees for new business or introducing additional reserving requirements; and/or incentivising the use of a system-wide lending facility, when available, for market-wide liquidity issues extending to insurers. When considering corrective measures the supervisor may find it necessary, in cases of a serious breach of regulatory requirements, to revoke the licence of an insurer.

#### Results per standard

86. All jurisdictions are observing the ICP standards (10.2 and 10.3), with 25 of the 26 jurisdictions assessed as O and one jurisdiction assessed as LO since it responded: "Legislation does not provide the power to require preventive and corrective measures in such circumstances, but action can be taken using more general powers."
87. In relation to CF standard 10.2.a, the GWS requires the Head of the IAIG to take preventive measures if: (1) a legal entity within the IAIG seems likely to operate in a manner that would have a material adverse effect on the IAIG as a whole; or (2) the IAIG as a whole seems likely to operate in a manner that is inconsistent with regulatory requirements. Thirteen of 26 jurisdictions were assessed as O, two jurisdictions as LO and one jurisdiction as NO. Ten of the 26 jurisdictions reported that the CF standard is NA given that they are not a GWS of an IAIG. The two jurisdictions assessed as LO responded "Legislation does not provide the power to require preventive and corrective measures in such circumstances, but action can be taken using more general powers". The one jurisdiction assessed as NO indicated that legislation for group-wide supervision will be in place by March 2021 and it is in the process of developing the guidelines. The jurisdiction also indicated that "the assessment of the implementation of the holistic framework can be based on the principle of 'substance over form', taking into account our actual supervisory practice and the arrangements in place".
88. Given the consistent level of observance of the ICP and CF standards related to the theme of "powers of intervention", there was no significant variation amongst specific regions or jurisdictions based on whether or not they are GWSs.
89. Several jurisdictions noted that they maintain broad and specific powers to take preventive and corrective measures in relation to insurers and IAIGs, including for financial stability purposes. While jurisdictions commented on taking such actions routinely in their supervisory roles, no jurisdiction indicated that it had taken such actions for financial stability purposes recently. However, it was noted that jurisdictions are currently collecting and analysing information on Covid-19 exposures to determine whether such steps would be necessary and appropriate.

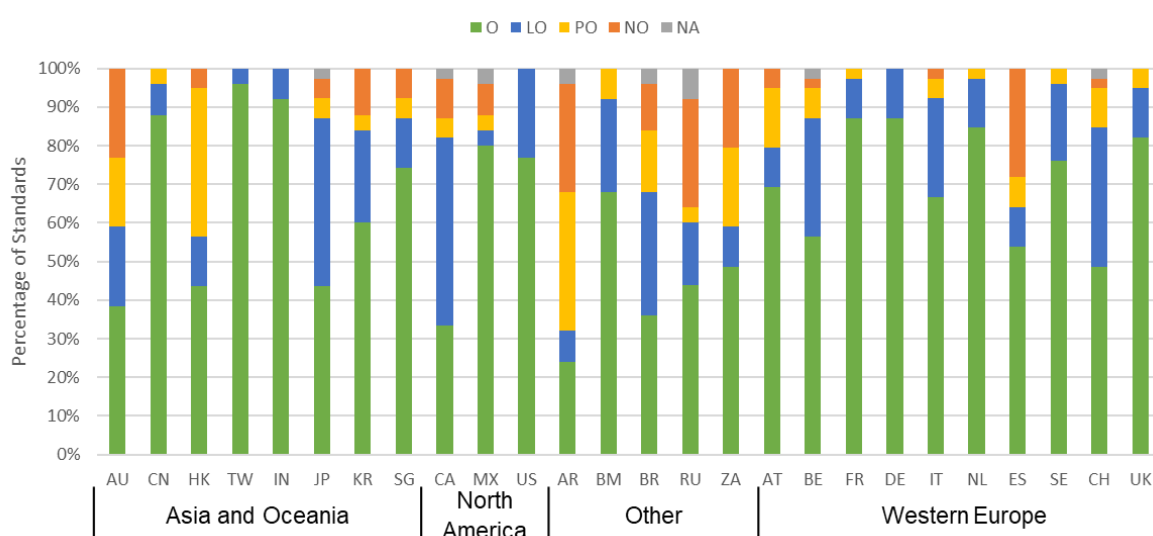
### 3.6 Standards relating to group-wide supervisors (GWSs)

The assessment of the BLA covered 39 standards related to the Holistic Framework. Of the 39 standards in scope, 23 are ICP standards and 16 are CF standards that relate to the supervision of IAIGs, of which 14 include requirements for the GWSs of IAIGs and two include requirements for GWSs and involved supervisors of IAIGs. Overall, 39 standards apply for GWSs of IAIGs while 25 standards apply to supervisors who are non IAIG GWSs. Sixteen jurisdictions in the BLA are GWSs of at least one IAIG. Ten jurisdictions in the BLA scope are not GWSs of an IAIG.

### 3.7 Overall results per jurisdiction and their steps planned in relation to the further implementation of the Holistic Framework

#### 3.7.1 Overall result

**Chart 5: Observance levels as a percentage of the total number of applicable standards for each participating jurisdiction by region**



#### 3.7.2 Steps planned for the further implementation of the Holistic Framework

90. Most jurisdictions (23 out of 26) provided an explanation of their identified gaps and the steps planned regarding the implementation of the Holistic Framework relevant standards, whether in the self-assessment questionnaire and/or via the feedback loop. The ET BLA analysed the answers. Overall, it appears that jurisdictions are aware of the main implementation gaps and are already in the process of identifying actions and/or planning to fill these gaps in the coming months or years. Several jurisdictions mentioned that they have ongoing plans or are already aiming to improve their implementation of standards, particularly on: resolution planning, ERM, and cooperation.
91. Three jurisdictions explicitly pointed out in their answers that the Holistic Framework is quite new (adopted in November 2019) and, therefore, that they were still in the process of implementing its standards. Two jurisdictions explained that some improvements occurred between the submission of the original questionnaire and the feedback loop, which shows that implementation is an ongoing process.

92. One jurisdiction explained that Covid-19 delayed the implementation due to new priorities. Another jurisdiction explained that there was not much systemic risk locally. One jurisdiction did not deem it urgent to implement standards on resolution since it already has other legal tools, if needed.
93. Several jurisdictions pointed out proportionality aspects. Two of these jurisdictions have only one IAIG and pointed out that, particularly when IAIG identification is relatively new, the implementation of CF standards has to be proportionate (in terms of time and/or processes). The implementation of the Holistic Framework itself has to be proportionate (according to two jurisdictions) and, therefore, all standards are not provided for word by word in legislation, but can sometimes be encompassed in overarching principles.
94. Seven European jurisdictions referred to the review of the Solvency II Directive (European legal framework) as a way to close some of the gaps in terms of resolution planning, liquidity requirements and MPS. However, they also pointed out that once the advice by European Insurance and Occupational Pensions Authority (EIOPA) to the European Commission (EC) has been published, the change will take some time to be implemented (required work by the EC, vote of the European Parliament, and then the transposition into national laws).
95. Two jurisdictions pointed out that, in some cases, the legislative tools do exist but that the standard is not fully implemented because of complex approval processes or steps to implement these tools (for instance in the case of the adoption of resolution plans). Two jurisdictions mentioned their national legislative framework as a limiting factor in the implementation of some requirements.
96. Five jurisdictions explained that the gaps in the implementation of the ComFrame standards were due to the non-identification of IAIGs within their jurisdiction. However, some of them said that even though they have no IAIGs, they already have some regulatory requirements in line with CF standards, or that they would review their regime to include ComFrame requirements.
97. Some jurisdictions also mentioned that they have ongoing actions or are already planning to improve the implementation of standards, including: resolution planning, ERM, cooperation and disclosure.

### **3.8 Useful approaches in relation to the way forward and any other general observations**

98. In relation to certain ICP and CF standards, the ET BLA notes that 17 jurisdictions were assessed as LO based on “Supervisor’s advice when expectations are not being met” rather than powers being in “Legislation” or “Published Supervisory Guidelines.” The LO assessment is primarily due to these jurisdictions stating that “Supervisory Processes and Procedures” are in place to determine which insurers are subject to these requirements and/or “Supervisory Practices” are established to ensure compliance with these standards. As stated in the IAIS Assessment Methodology, “for a Standard to be considered observed, it is necessary that the supervisor has and exercises, when required, the legal authority and supervisory practices to effectively perform the requirements of the Standard”; and “for supervisory practices which may lack explicit legal authority, the assessment should be considered as observed if the practice is clearly substantiated by the supervisor and is generally accepted by stakeholders.” The ET BLA has made a judgement based on a self-assessment provided by the jurisdictions. The ET BLA recommends that future assessments, including the TJA, take the above into account when assessing the observance level of jurisdictions that rely on “Supervisors advise when expectations are not being met.”

99. Based on results and feedback received from jurisdictions, the ET BLA notes that some CF standards that are prescriptive and detailed are usually less than fully observed by the majority of jurisdictions as they are often not required by legislation, but rather met by supervisory guidelines. Examples are CF standards 12.3.c, 16.15.b and 2.7.a. This feedback was provided by some jurisdictions. As an example from one jurisdiction: “CF standard 12.3.c suggests that there is a requirement for specific Management Information Systems (MIS) for the dedicated purpose of resolution. While it is essential that information relevant for resolution be made available on a timely basis to the Head of the IAIG, it could be that numerous systems that are not explicitly built for the purpose of resolution could help to meet such an objective. Instead of requiring a system to be specifically designed for the purpose of providing data for resolution, the standard should require the necessary data to be made readily available at the level of the Head of the IAIG. Implementing specific MISs would be suitable to be added to the guidance as one option to achieve this goal.” It was suggested that amendments such as this one may be considered in a next revision of ComFrame.

## Annex 1: Scope of the BLA

### Annex 1a: Participating IAIS Jurisdictions

Jurisdiction	Abbreviation	IAIS Region	IAIS Region (this report)
Argentina	AR	Latin America	Other*
Australia	AU	Asia and Oceania	Asia and Oceania
Austria	AT	Western Europe	Western Europe
Belgium	BE	Western Europe	Western Europe
Bermuda	BM	Offshore and Caribbean	Other*
Brazil	BR	Latin America	Other*
Canada	CA	North America	North America
China	CN	Asia and Oceania	Asia and Oceania
China, Hong Kong	HK	Asia and Oceania	Asia and Oceania
Chinese Taipei	TW	Asia and Oceania	Asia and Oceania
France	FR	Western Europe	Western Europe
Germany	DE	Western Europe	Western Europe
India	IN	Asia Oceania	Asia Oceania
Italy	IT	Western Europe	Western Europe
Japan	JP	Asia and Oceania	Asia and Oceania
Korea	KR	Asia and Oceania	Asia and Oceania
Mexico	MX	North America	North America
Netherlands	NL	Western Europe	Western Europe
Russia	RU	Central, Eastern Europe and Transcaucasia	Other*
Singapore	SG	Asia and Oceania	Asia and Oceania
South Africa	ZA	Sub-Sahara Africa	Other*
Spain	ES	Western Europe	Western Europe
Sweden	SE	Western Europe	Western Europe
Switzerland	CH	Western Europe	Western Europe
United Kingdom	UK	Western Europe	Western Europe
USA	US	North America	North America

\*If there was only one or two jurisdictions in a particular IAIS Region that participated in the BLA, then these jurisdictions have been included in the Region "other" for purposes of reporting the BLA results.



## Annex 1b: List of relevant ICP and CF standards

Standard	Text
<b>ICP 1: Objectives, Powers and Responsibilities of the Supervisor</b>	
1.2	<p><b>Primary legislation clearly determines the objectives of insurance supervision and these include at least to :</b></p> <ul style="list-style-type: none"> <li>• protect policyholders;</li> <li>• promote the maintenance of a fair, safe and stable insurance market; and</li> <li>• <b>contribute to financial stability.</b></li> </ul>
<b>ICP 10: Preventive Measures, Corrective Measures and Sanctions</b>	
10.2	The supervisor requires preventive measures if the insurer seems likely to operate in a manner that is inconsistent with regulatory requirements.
CF 10.2.a	<p>The group-wide supervisor requires the Head of the IAIG to take preventive measures if:</p> <ul style="list-style-type: none"> <li>• a legal entity within the IAIG seems likely to operate in a manner that</li> <li>• is inconsistent with any relevant regulatory requirements, or</li> <li>• would have a material adverse effect on the IAIG as a whole; or</li> <li>• the IAIG as a whole seems likely to operate in a manner that is inconsistent with regulatory requirements.</li> </ul>
10.3	The supervisor requires corrective measures if the insurer fails to operate in a manner that is consistent with regulatory requirements.
<b>ICP 12: Exit from the Market and Resolution</b>	
12.2	<p>Legislation provides a framework for resolving insurers which:</p> <ul style="list-style-type: none"> <li>• protects policyholders; and</li> <li>• provides for the absorption of losses in a manner that respects the liquidation claims hierarchy.</li> </ul>
12.3	The supervisor and/or the resolution authority requires, as necessary, insurers to evaluate prospectively their specific operations and risks in possible resolution scenarios and to put in place procedures for use during a resolution.
CF 12.3.a	Resolution plans are in place for IAIGs where the group-wide supervisor and/or resolution authority, in consultation with the crisis management group of the IAIG (IAIG CMG), deems necessary.
CF 12.3.b	<p>Where a resolution plan is required, the group-wide supervisor and/or resolution authority, in coordination with the IAIG CMG:</p> <ul style="list-style-type: none"> <li>• requires relevant legal entities within the IAIG to submit necessary information for the development of resolution plan;</li> <li>• regularly undertakes resolvability assessments to evaluate the feasibility and credibility of resolution strategies, in light of the possible impact of the IAIG's failure on policyholders and the financial system and real economy in the jurisdictions in which the IAIG operates; and</li> <li>• requires the IAIG to take prospective actions to improve its resolvability.</li> </ul>
CF 12.3.c	The group-wide supervisor and/or resolution authority, in coordination with the IAIG CMG, requires the Head of the IAIG to have and maintain group-wide management information systems (MIS) that are able to produce information on a timely basis, for supervisors and/or resolution authorities, for the purposes of resolution planning and actions.

12.7	Legislation provides an appropriate range of powers to resolve insurers effectively. These powers are exercised proportionately and with appropriate flexibility.
CF 12.7.a	<p>The powers that the supervisor and/or resolution authority may exercise, subject to adequate safeguards and proportionality, for the resolution of an IAIG include, at least, the following:</p> <ul style="list-style-type: none"> <li>• prohibit the payment of dividends to shareholders;</li> <li>• prohibit the payment of variable remuneration to, and allow the recovery of monies from, Members of the Boards, Senior Management, Key Persons in Control Functions and major risk taking staff, including claw-back of variable remuneration;</li> <li>• prohibit the transfer of the IAIG's assets without supervisory approval;</li> <li>• retain, remove or replace the Members of the Boards, Senior Management and/or Key Persons in Control Functions;</li> <li>• take control of, and manage, the IAIG, or appoint an administrator or manager to do so;</li> <li>• withdraw the licence to write new business and put all or part of the insurance contracts into run-off;</li> <li>• sell or transfer the shares of the IAIG to a third party;</li> <li>• restructure, limit or write down liabilities (including insurance liabilities), and allocate losses to creditors and policyholders, where applicable and in a manner consistent with the liquidation claims hierarchy and jurisdiction's legal framework;</li> <li>• override rights of shareholders of the IAIG in resolution, including requirements for approval by shareholders of particular transactions, in order to permit a merger, acquisition, sale of substantial business operations, recapitalisation, or other measures to restructure and dispose of the IAIG's business or its liabilities and assets;</li> <li>• terminate, continue or transfer certain types of contracts, including insurance contracts;</li> <li>• transfer or sell the whole or part of the assets and liabilities of the IAIG to a solvent insurer or third party;</li> <li>• transfer any reinsurance associated with transferred insurance policies without the consent of the reinsurer;</li> <li>• temporarily restrict or suspend the policyholders' rights of withdrawing their insurance contracts;</li> <li>• stay rights of the reinsurers of the ceding insurer in resolution to terminate, or not reinstate, coverage relating to periods after the commencement of resolution;</li> <li>• impose a temporary suspension of payments to unsecured creditors and a stay on creditor actions to attach assets or otherwise collect money or property from the IAIG;</li> <li>• establish a bridge institution;</li> <li>• take steps to provide continuity of essential services and functions including: <ul style="list-style-type: none"> <li>○ requiring other legal entities within the IAIG (including non-regulated entities) to continue to provide these essential services to the entity in resolution, any successor, or an acquiring entity;</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ ensuring that the residual entity in resolution can temporarily provide such services to a successor or an acquiring entity; or</li> <li>○ procuring necessary services from unaffiliated third parties;</li> <li>• temporarily stay early termination rights associated with derivatives and securities financing transactions; and</li> <li>• initiate the liquidation of the whole or part of the IAIG.</li> </ul>
<b>ICP 15: Investments</b>	
<b>15.2</b>	<p>The supervisor requires the insurer to invest assets so that, for its portfolio as a whole:</p> <ul style="list-style-type: none"> <li>• assets are sufficiently secure and are held in the appropriate location for their availability;</li> <li>• payments to policyholders or creditors can be made as they fall due; and</li> <li>• assets are adequately diversified.</li> </ul>
<b>15.3</b>	<p>The supervisor requires the insurer to invest in a manner that is appropriate to the nature and duration of its liabilities.</p>
<b>ICP 16: Enterprise Risk Management for Solvency Purposes</b>	
<b>16.2</b>	<p>The supervisor requires the insurer's ERM framework to:</p> <ul style="list-style-type: none"> <li>• provide for the quantification of risk and risk interdependencies under a sufficiently wide range of techniques for risk and capital management; and</li> <li>• <b>as necessary, include the performance of stress testing to assess the resilience of its total balance sheet against macroeconomic stresses.</b></li> </ul>
<b>CF 16.2.b</b>	<p>The group-wide supervisor requires the IAIG's risk measurement to include:</p> <ul style="list-style-type: none"> <li>• stress and reverse stress testing and scenario analysis the IAIG deems relevant to its risk profile; and</li> <li>• <b>the resilience of its total balance sheet against macroeconomic stresses.</b></li> </ul>
<b>16.6</b>	<p>The supervisor requires the insurer's ERM framework to include an explicit investment policy that:</p> <ul style="list-style-type: none"> <li>• addresses investment risk according to the insurer's risk appetite and risk limits structure;</li> <li>• specifies the nature, role and extent of the insurer's investment activities and how the insurer complies with regulatory investment requirements;</li> <li>• establishes explicit risk management procedures with regard to more complex and less transparent classes of asset and investments in markets or instruments that are subject to less governance or regulation; and</li> <li>• <b>as necessary, includes a counterparty risk appetite statement.</b></li> </ul>
<b>CF 16.6.b</b>	<p>The group-wide supervisor requires the Head of the IAIG to:</p> <ul style="list-style-type: none"> <li>• set limits, or other requirements, in the group-wide investment policy so that assets are properly diversified and asset concentration risk is mitigated; and</li> <li>• <b>have a counterparty risk appetite statement.</b></li> </ul>

16.7	<p>The supervisor requires the insurer's ERM framework to include an underwriting policy that addresses the:</p> <ul style="list-style-type: none"> <li>• insurer's underwriting risk according to the insurer's risk appetite and risk limits structure;</li> <li>• nature of risks to be underwritten, <b>including any material relationship with macroeconomic conditions</b>; and</li> <li>• interaction of the underwriting strategy with the insurer's reinsurance strategy and pricing.</li> </ul>
16.8	<p>The supervisor requires the insurer's ERM framework to address liquidity risk and to contain strategies, policies and processes to maintain adequate liquidity to meet its liabilities as they fall due in normal and stressed conditions.</p>
16.9	<p>The supervisor requires, as necessary, the insurer to establish more detailed liquidity risk management processes, as part of its ERM framework, that include:</p> <ul style="list-style-type: none"> <li>• liquidity stress testing;</li> <li>• maintenance of a portfolio of unencumbered highly liquid assets in appropriate locations;</li> <li>• a contingency funding plan; and</li> <li>• the submission of a liquidity risk management report to the supervisor.</li> </ul>
CF 16.9.a	<p>The group-wide supervisor requires the Head of the IAIG to assess the IAIG's resilience against severe but plausible liquidity stresses to determine whether current exposures are within the IAIG's liquidity risk appetite.</p>
CF 16.9.b	<p>The group-wide supervisor requires the Head of the IAIG to establish and maintain an adequate level of unencumbered highly liquid assets in appropriate locations.</p>
CF 16.9.c	<p>The group-wide supervisor requires the Head of the IAIG to maintain a contingency funding plan to respond to liquidity stress events.</p>
CF 16.9.d	<p>The group-wide supervisor requires the Head of the IAIG to report, at least annually, on its management of liquidity risk. The report includes at least the following:</p> <ul style="list-style-type: none"> <li>• a liquidity risk appetite statement;</li> <li>• established liquidity risk limits;</li> <li>• a discussion of the current liquidity position of the IAIG in relation to its liquidity risk appetite and limits;</li> <li>• a summary of strategies, policies and processes that the IAIG has in place to manage liquidity risk;</li> <li>• a discussion of potential vulnerabilities in the IAIG's liabilities as well as the means of enhancing the liquidity position; and</li> <li>• the IAIG's approach to, and results of, liquidity stress testing.</li> </ul>
16.12	<p>The supervisor requires the insurer's ORSA to:</p> <ul style="list-style-type: none"> <li>• encompass all reasonably foreseeable and relevant material risks including, at a minimum, insurance, credit, market, concentration, operational and liquidity risks and (if applicable) group risk; and</li> <li>• identify the relationship between risk management and the level and quality of financial resources needed and available;</li> </ul> <p><b>and, as necessary:</b></p>

	<ul style="list-style-type: none"> <li>• <b>assess the insurer’s resilience against severe but plausible macroeconomic stresses through scenario analysis or stress testing; and</b></li> <li>• <b>assess aggregate counterparty exposures and analyse the effect of stress events on material counterparty exposures through scenario analysis or stress testing.</b></li> </ul>
<b>CF 16.12.b</b>	<p>The group-wide supervisor requires the Head of the IAIG, as part of the group-wide ORSA, to:</p> <ul style="list-style-type: none"> <li>• assess the IAIG’s resilience against severe but plausible macroeconomic stresses through scenario analysis or stress testing; and</li> <li>• <b>assess aggregate counterparty exposures and analyse the effect of stress events on material counterparty exposures through scenario analysis or stress testing.</b></li> </ul>
<b>16.15</b>	The supervisor requires, as necessary, insurers to evaluate in advance their specific risks and options in possible recovery scenarios.
<b>CF 16.15.a</b>	<p>The group-wide supervisor requires the Head of the IAIG to:</p> <ul style="list-style-type: none"> <li>• develop a recovery plan that identifies in advance options to restore the financial position and viability;</li> <li>• review and update the recovery plan on a regular basis, or when there are material changes; and</li> <li>• take actions for recovery if the IAIG comes under severe stress.</li> </ul>
<b>CF 16.15.b</b>	The group-wide supervisor requires the Head of the IAIG to have and maintain group-wide management information systems that are able to produce information relevant to the recovery plan on a timely basis.
<b>16.16</b>	The supervisor undertakes reviews of the insurer's ERM framework, including the ORSA. Where necessary, the supervisor requires strengthening of the insurer’s ERM framework, solvency assessment and capital management processes.
<b>ICP 20: Public Disclosure</b>	
<b>20.11</b>	The supervisor requires that disclosures about the insurer’s liquidity risk include sufficient quantitative and qualitative information to allow a meaningful assessment by market participants of the insurer’s material liquidity risk exposures.
<b>ICP 23: Group-wide Supervision</b>	
<b>CF 23.0.a</b>	<p>The group-wide supervisor, in cooperation with other involved supervisors, determines whether an insurance group or an insurance legal entity operating through branches, is an IAIG after considering whether it meets both the following criteria:</p> <ul style="list-style-type: none"> <li>• Internationally active: <ul style="list-style-type: none"> <li>○ Premiums are written in three or more jurisdictions; and</li> <li>○ Gross written premiums outside of the home jurisdiction are at least 10% of the group’s total gross written premiums.</li> </ul> </li> <li>• Size (based on a three-year rolling average): <ul style="list-style-type: none"> <li>○ Total assets are at least USD 50 billion, or</li> <li>○ Total gross written premiums are at least USD 10 billion.</li> </ul> </li> </ul>
<b>ICP 24: Macroprudential Surveillance and Insurance Supervision</b>	
<b>24.1</b>	The supervisor collects data necessary for its macroprudential surveillance and supervision.

24.2	The supervisor, as part of its macroprudential surveillance framework, performs analysis of financial markets and the insurance sector that: <ul style="list-style-type: none"> <li>• is both quantitative and qualitative;</li> <li>• considers historical trends as well as the current risk environment; and</li> <li>• considers both inward and outward risks.</li> </ul>
24.3	The supervisor has an established process to assess the potential systemic importance of individual insurers and the insurance sector.
24.4	The supervisor uses the results of its macroprudential surveillance and supervision, and considers the potential systemic importance of insurers and the insurance sector, when developing and applying supervisory requirements.
24.5	The supervisor publishes relevant data and statistics on the insurance sector.
<b>ICP 25: Supervisory Cooperation and Coordination</b>	
25.7	The group-wide supervisor coordinates crisis management preparations with other involved supervisors and relevant authorities.
CF 25.7.a	The group-wide supervisor establishes a crisis management group for the IAIG with the objective of enhancing preparedness for, and facilitating the recovery and resolution of the IAIG.

Source: Note to ExCo and IAC, Considerations on the scope of standards for the Holistic Framework targeted jurisdictional assessments, 10 September 2019.

## Annex 2: Aggregate results by IAIS regions

		Total	Asia and Oceania	North America	Western Europe	Other
Total ICPs	O	440	142	51	191	56
	LO	87	25	13	26	23
	PO	36	8	2	9	17
	NO	33	9	3	4	17
	NA	2	0	0	0	2
Total CF	O	114	20	12	76	6
	LO	80	21	16	42	1
	PO	42	20	1	14	7
	NO	33	10	3	12	8
	NA	7	1	2	2	2

		Total	Asia and Oceania	North America	Western Europe	Other
Total ICPs	O	74%	77%	74%	83%	49%
	LO	15%	14%	19%	11%	20%
	PO	6%	4%	3%	4%	15%
	NO	6%	5%	4%	2%	15%
	NA	0%	0%	0%	0%	2%
Total CF	O	41%	28%	35%	52%	25%
	LO	29%	29%	47%	29%	4%
	PO	15%	28%	3%	10%	29%
	NO	12%	14%	9%	8%	33%
	NA	3%	1%	6%	1%	8%

### Annex 3: Overview of observance levels by theme and region

			Total	Asia and Oceania	North America	Other	Western Europe
Macroprudential supervision	Not Applicable	(NA)	0%	0%	0%	0%	0%
	Not Observed	(NO)	6%	4%	11%	13%	3%
	Partly Observed	(PO)	7%	6%	6%	17%	3%
	Largely Observed	(LO)	8%	0%	17%	20%	7%
	Observed	(O)	78%	90%	67%	50%	87%
Role of the supervisor	Not Applicable	(NA)	12%	0%	33%	40%	0%
	Not Observed	(NO)	4%	0%	0%	20%	0%
	Partly Observed	(PO)	4%	0%	0%	20%	0%
	Largely Observed	(LO)	4%	0%	0%	0%	10%
	Observed	(O)	77%	100%	67%	20%	90%
Requirements on insurers in relation to corporate governance and ERM	Not Applicable	(NA)	0%	0%	0%	0%	0%
	Not Observed	(NO)	5%	6%	0%	16%	2%
	Partly Observed	(PO)	8%	12%	2%	21%	2%
	Largely Observed	(LO)	24%	25%	39%	21%	20%
	Observed	(O)	63%	57%	59%	42%	75%
Crisis management and planning	Not Applicable	(NA)	2%	1%	3%	6%	2%
	Not Observed	(NO)	14%	14%	13%	31%	10%
	Partly Observed	(PO)	14%	17%	3%	17%	15%
	Largely Observed	(LO)	24%	22%	30%	17%	25%
	Observed	(O)	45%	46%	50%	31%	48%
Preventive and corrective measures	Not Applicable	(NA)	0%	0%	0%	0%	0%
	Not Observed	(NO)	1%	5%	0%	0%	0%
	Partly Observed	(PO)	0%	0%	0%	0%	0%
	Largely Observed	(LO)	6%	15%	0%	0%	3%
	Observed	(O)	93%	80%	100%	100%	97%