

Newsletter

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Issue 75



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Calendar Notes

*July Committee Meetings and
Global Seminar Registration
Now Open for IAIS Members*



IAIS Members may now register for the July committee meetings from 23-25 July and the 11th Annual IAIS Global Seminar on 26-27 July in Moscow, Russia. Registration for stakeholders and the general public will open on 4 May. To register:

- For IAIS Members, click [here](#) now.
- For stakeholders/general public, click [here](#) beginning 4 May.

See related article on [p 4](#).



For more information or to subscribe to the newsletter and e-mail alerts, please visit www.iaisweb.org.
Comments and suggestions are always welcome.

From the Secretary General

It was a great pleasure for me to attend the the first ever International Climate Risk Conference for Supervisors, under the aegis of the Central Bank and Supervisors Network for Greening the Financial System, in Amsterdam earlier this month.



The event brought together supervisors from over 30 countries and from more than 50 organisations to discuss how climate risks could affect financial institutions, and thus the mandate of financial supervisors.

It also provided an occasion for the launch of the joint IAIS and Sustainable Insurance Forum draft [Issues Paper on Climate Change Risks to the Insurance Sector](#), for public consultation. As discussed in more detail on [p 2](#) of this Newsletter, the Issues Paper aims to raise awareness for insurers and supervisors of the challenges presented by climate change, and explores how supervisors can respond.

This is the first time that a standard-setting body has explored how climate change relates to its core supervisory standards, drawing on the expertise of a leadership group of supervisors from around the world. It is an important stepping stone towards building supervisory understanding of climate risks at the global level, and developing best practices on supervisory approaches to addressing these risks.

Given the critical role that the insurance sector can play in risk signalling (ie through visibility of how climate risks may impact insurance premiums), this will be an important focus area for the IAIS.

Jonathan Dixon, Secretary General

In Focus...**IAIS Joins with the Sustainable Insurance Forum in Addressing Climate Change Risks to the Insurance Sector**

IAIS Collaborates with the Sustainable Insurance Forum in Releasing Draft Issues Paper for Public Consultation

On 30 March 2018, the IAIS took a significant step forward in addressing climate change risks to the insurance sector with the release of a draft issues paper developed in collaboration with the Sustainable Insurance Forum (SIF). The draft paper is entitled “*Issues Paper on Climate Change Risks to the Insurance Sector*”.

As the paper points out, climate change will have significant yet highly differentiated impacts on human and environmental systems around the world, including an increasing frequency and severity of natural catastrophes. There has been increasing recognition at the global level that climate change will also affect the financial system, including insurance firms. Responses to climate change – such as new policies, market shifts, technological innovation, and social change – will also have major impacts, including on the structure and function of the global economy. These and other developments have prompted insurance supervisors to begin examining the relevance of climate change for insurance supervision, both individually, and collaboratively through the SIF.

In its role as risk manager, risk carrier and investor, the global insurance sector plays a cornerstone role in the management of climate-related risks and opportunities for individuals, households, firms, other financial institutions, and public authorities. In recognition of this, In July 2017, SIF members asked the SIF Secretariat to develop a guidance document on climate change and insurance supervision. In November 2017, the SIF and the IAIS agreed to advance this document jointly as an Issues Paper. Issues Papers are “supporting material” and provide background on particular topics, describe current practices, actual examples or case studies pertaining to a particular topic and/or identify related regulatory and supervisory issues and challenges. Issues Papers are primarily descriptive and not meant to create expectations on how supervisors should implement supervisory material. They are therefore not binding.

“This is the first time that a standard-setting body has explored how climate change relates to its core supervisory standards, drawing on the expertise of a leadership group of supervisors from around the world.”
--Jonathan Dixon, IAIS Secretary General

The objectives of the Issues Paper are to raise awareness for insurers and supervisors of the challenges presented by climate change, including current and contemplated supervisory approaches for addressing these risks. The paper provides an overview of how climate change is affecting and may affect the insurance sector now and in the future. It provides examples of current material

risks and impacts across underwriting and investment activities, and describes how these risks and impacts may be of relevance for the supervision and regulation of the sector.

Insurance supervisors have a strategic interest in understanding how climate change may affect the safety and soundness of individual insurers, and insurance markets in the aggregate. The paper explores potential and contemplated supervisory responses, and reviews observed practices in ten different jurisdictions through case studies. In doing so, it identifies gaps and emerging areas which should be resolved to allow for effective supervision. Finally, the paper offers preliminary insights from practice, and initial conclusions relating to the supervision of climate change risks to the insurance sector.

Table 1. Implications of climate change on the core objectives of insurance supervisors		
Core objective	Implications	Potential Responses
Solvency and stability of insurance firms	Potential for physical and transition risks to pose risks for solvency of individual firms, stemming from underwriting and investment activities	<ul style="list-style-type: none"> • Supervisory engagement to quantify potential financial risks associated with physical climate damages (ie underwriting liabilities) • Surveys and disclosure requirements
Market conduct, consumer protection, access and affordability, conduct and compliance	Potential for climate change to render assets uninsurable (redlining); transparency for consumers on climate change practices and strategies; delivering enabling conditions for insurance product development	<ul style="list-style-type: none"> • Assessment of firm conduct on climate change issues • Supporting consumer awareness and literacy • Engagement with other policymaking bodies
Macroprudential stability	Potential for transition risks issues to pose systemic risks to the financial system and macro-economy	<ul style="list-style-type: none"> • Assessments of exposure to high carbon assets risk • Alignment of investments with climate goals

Many of the insurance core principles (ICPs) are also applicable to climate change and can provide supervisory responses. The paper examines several responses that may be of particular relevance for the supervision of climate risk in the insurance sector including those related to governance, risk management (including enterprise risk management), investments, conduct of business and public disclosure.

Conclusions from the paper include the following:

- Climate risks present significant material challenges for the insurance sector, which are likely to grow over time.
- It is imperative that resilience to climate risks be achieved by all insurers, regardless of size, specialty, domicile, or geographic reach.
- The emerging consensus across the financial sector is that the potential systemic impacts of climate change requires a similarly systemic global response (ie FSB, G20) – creating a strategic imperative for the IAIS and its Members to consider the supervisory dimensions.

- Climate risks will require ongoing and intensifying scrutiny by supervisors, and provide a general basis for the identification, assessment, and supervision of climate risks within the insurance sector.
- Supervisors should seek to increase understanding of climate risk, and develop supervisory capabilities to be able to accurately evaluate the insurance sector's actions to achieve climate resilience.
- Additional supporting material from the IAIS and the SIF on best practices for addressing climate risk issues in line with the ICPs may be helpful for supervisors and insurers.

On 10 April, the IAIS and the SIF hosted a public background session to provide background information and further describe the subject matter and specific issues.

Feedback on this draft paper is invited and due by 29 April and must be submitted via the consultation tool. To view the paper and access the tool, Members may click [here](#) and non-Members may click [here](#). Only comments submitted through the tool will be considered.

After the public consultation comment period has closed, the IAIS and SIF will consider the comments received and make any necessary revisions to the draft. The final draft is expected to be released in July 2018.

News Updates

The Global Seminar Promises Exciting Programme

IAIS Members may now register for the July committee meetings from 23-25 July and the 11th Annual IAIS Global Seminar on 26-27 July in Moscow, Russia. Registration for the Global Seminar opens for stakeholders and the general public on 4 May 2018.

The Global Seminar promotes public awareness, mutual understanding and global cooperation in insurance supervision. This year's event will feature a diverse programme of global insurance topics on a wide range of current and emerging risks. It will also provide an opportunity for participants to share perspectives on IAIS activities and current insurance market trends at the Executive Committee Dialogue. The line-up of session topics includes the following:

Day One: 26 July

- Delivering on ComFrame (including the ICS)
- A Holistic Framework for Mitigating Systemic Risk
- Executive Committee Dialogue
- Insurance in Support of Inclusive Economic Development

Day Two: 27 July

- Innovation Facilities as a Regulatory Tool
- Climate Change and Climate-related Risk – What it Means for Insurance Supervisors
- Supervision of Insurer Cybersecurity and Operational Resilience

To register, IAIS Members may click [here](#) now, and stakeholders/general public may click [here](#) beginning 4 May.

IAIS Discusses ComFrame Comments and Next Steps with Stakeholders

In 2016, the IAIS decided to integrate ComFrame material into the ICP structure. The March 2017 ComFrame consultation documents were the first to reflect this new structure. As previously reported, the IAIS Policy Development Committee approved the resolution of comments on the first set of ComFrame material from the March to June 2017 public consultation during its meeting on 26 February 2018. This included ComFrame in ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance), ICP 8 (Risk Management and Internal Controls), ICP 9 (Supervisory Review and Reporting), ICP 10 (Preventive Measures, Corrective Measures and Sanctions), ICP 12 (Exit from the Market and Resolution) and ICP 25 (Supervisory Cooperation and Coordination). Following this decision, the IAIS published a summary of the resolution of the main substantive comments received. All public consultation comments were simultaneously published. The documents were posted on the IAIS website and are available [here](#).

On 27 March, the IAIS held a public discussion session via teleconference to provide background information on the resolution of comments received during the public consultation, answer stakeholder questions on the outcome of the consultation and present the next steps in the development of ComFrame. Over forty people participated in the discussion session.

The IAIS is preparing a complete ComFrame package for public consultation following the July committee meetings. This package will be published for a 90-day consultation and will consist of three types of material:

- Revised ComFrame material following consultation in March-June 2017 (ComFrame in ICPs 5, 7, 8, 9, 10, 12 and 25).
- Revised ComFrame material following consultation in November 2017-January 2018 (ComFrame in ICPs 8, 15, 16).
- Newly-developed ComFrame material integrated with ICP 23, related to the identification of Internationally Active Insurance Groups (IAIGs) (not previously consulted).

Also following the July committee meetings, the IAIS will consult on Insurance Capital Standard (ICS) Version 2.0 – the quantitative component of ComFrame, as a stand-alone ICS consultation document.

IAIS to Launch New Assessment Approach

In June 2017, the IAIS Executive Committee approved a new approach to begin in 2018 to strengthen IAIS assessment activities, building upon the success of the Self-Assessment and Peer Review (SAPR) programme. The new approach involves three distinct assessment processes: the Peer Review Process, Self-Assessment Process and Member Assessment Process. These three processes all complement each other, with each relying on the same foundational tools (ie the questionnaires designed as part of the SAPR and the Peer Review Process).

During 2018, the IAIS will conduct the Peer Review Process in two thematic areas: Mandate and Supervising Powers (ICPs 1 and 2) and Corporate and Risk Governance (ICPs 4, 5, 7 and 8). Please note that the assessments will be based on the existing adopted version of the ICPs and not the recently published revised versions. For questions regarding the Peer Review Process, please contact the [Secretariat](#).

Dixon Addresses Implementation and Emerging Markets at ASSAL Meeting

At a recent High-Level Meeting jointly hosted by the IAIS, Financial Stability Institute and Association of Latin American Insurance Supervisors (ASSAL) on “Global insurance standards and supervisory priorities in the Americas” on 12 April, IAIS Secretary General Jonathan Dixon talked about implementation as part of describing the IAIS’ three-part high level approach.

According to Dixon, the IAIS is pivoting to an increased focus on assessing and supporting the implementation of agreed global standards. This includes not only responding to supervisory capacity building needs, but also providing forums for peer-to-peer exchange on supervisory practices. “Members are currently focused on taking these efforts to the next level, through enhancements to the IAIS’ Coordinated Implementation Framework”, Dixon noted. Jose “Pepe” Lopez will lead implementation efforts at this critical time as the new chair of the IAIS Implementation and Assessment Committee.

Dixon also stressed the inclusiveness of the IAIS, saying the IAIS works to provide value to all Members and that IAIS processes, priorities and products reflect the many voices that make up the association. He pointed out that the IAIS has taken concrete steps to incorporate the emerging market perspectives across the range of work streams, and that the Executive Committee has adopted an emerging markets strategy and appointed a third Vice Chair to focus on emerging market issues at the executive level.

Stakeholder Engagement

Stakeholders Invited to Help Shape ExCo Dialogue

In advance of the Executive Committee (ExCo) Dialogue planned as part of the 2018 Global Seminar in Moscow, Russia, stakeholders are invited to suggest topics and questions for consideration in shaping the agenda. To do so, please email your suggestions to Stephen

Hogge, Senior Policy Advisor for Communications, at stephen.hogge@bis.org. The deadline has been extended to 14 May. This will not preclude attendees from posing questions on any other relevant issues in the question and answer portion of the dialogue.

IAIS Accounting and Auditing Working Group Invites Stakeholder Participation in Upcoming Teleconference

Interested stakeholders are invited to participate in a teleconference on Thursday 17 May (from 9:00 – 9:30 am EDT) during a meeting of the Accounting and Auditing Working Group being held in Québec City. The teleconference will focus on:

- Updating interested stakeholders on the current status of AAWG work activities and near-term plans, including the draft revisions to ICP 20 (Public Disclosure) which is expected to be issued for public consultation by July; and
- Gathering feedback from interested stakeholders on insurer accounting and auditing areas of concern and other matters of mutual interest. The feedback provided by interested stakeholders will be considered by the AAWG as it drafts its 2019-20 Roadmap work plans later this summer.

To gauge the approximate number of callers that the teleconferencing facilities will need to accommodate, please e-mail Mark Causevic at mark.causevic@bis.org by 30 April if you would like to participate. Following that, the call-in number/code will be provided to all AAWG interested stakeholders planning to participate in this session.

Meetings and Events

Upcoming IAIS Meetings: May – June 2018

All of the following IAIS meetings will be held in Basel unless otherwise noted. Members should visit the IAIS website at www.iaisweb.org for more information on a specific meeting and to confirm dates and locations.

Date	Group
7-8 May	Strategic Planning and Financial Outlook Task Force (Frankfurt)
9-10 May	Market Conduct Working Group (Sydney)
16-17 May	Accounting and Auditing Working Group (Quebec City)
22-23 May	Financial Crime Task Force
22-24 May	Capital, Solvency and Field Testing Working Group
29-30 May	Supervisory Material Review Task Force (New York City)
4-5 June	Macroprudential Policy and Surveillance Working Group (Bermuda)
11-12 June	Task Force on Banking and Insurance (Washington, DC)
12-13 June	Governance Working Group (Washington, DC)
13-14 June	Systemic Risk Assessment Drafting Group (Washington, DC)
14-15 June	Insurance Groups Working Group (Washington, DC)
18-22 June	Capital, Solvency and Field Testing Working Group (Washington, DC)

Stakeholder Meetings

For information about any planned stakeholder meetings, please visit the Stakeholder Meetings page of the IAIS website by clicking [here](#).

Seminars and Training

Recent: IAIS-ASSAL Training Seminar on “Risks analysis and assessment in the insurance industry”, 9-10 April, Santo Domingo, Dominican Republic

The main topics covered at the IAIS-ASSAL Annual Conference on “Risks analysis and assessment in the insurance industry”, were the importance of the actuarial function; technological advances and supervision challenges; market conduct; and risk-based capital. The insurance supervisory authority for the Dominican Republic hosted the seminar.

Committee and Subcommittee Activities

Committee Activities

Executive Committee

The Executive Committee met via teleconference on 23 March and discussed the following items:

- Issues related to the 2018 field testing of the ICS; and
- A status update on the IAIS' Systemic Risk Assessment and Policy Workplan, including progress on the development of an activities-based approach to the mitigation of systemic risk in the insurance sector and plans for the 2018 Global Systemically Important Insurers (G-SII) assessment exercise.

Secretariat Support:

peter.vandenbroeke@bis.org

Policy Development Committee

The Policy Development Committee met via teleconference on 10 April to discuss the remaining issues for finalising 2018 Field Testing of ICS Version 2.0. These included items related to capital resources, non-life risk and tax.

Secretariat Support:

yukiko.kamegawa@bis.org

Subcommittee Activities

Accounting and Auditing Working Group

The Accounting and Auditing Working Group next meets on 16-17 May in Québec City, Canada. The agenda includes finalising draft revised ICP 20 (Public Disclosure), IFRS 17 related discussions, dialogue with various external organisations and an interested stakeholder call-in session to provide updates and gather feedback on key matters of interest.

Secretariat Support: mark.causevic@bis.org

Core Curriculum Task Force

The Core Curriculum Task Force (CCTF) continues its regular schedule of meeting every

three weeks to prepare for the scheduled launch of Phase 1 material in July.

The CCTF welcomed several new members – Ian Webb from Peru and Naam Obaid from Saudi Arabia. Almost 100 individuals, from over 40 jurisdictions, have now volunteered their expertise to contribute to the project as writers or IAIS reviewers.

Phase 1 focuses on updating existing modules and making proposals for further work and review. All 37 Phase 1 modules and the Case Study are progressing. Over 25% of the Phase 1 modules are complete (including modules progressing directly to Phase 2 as the scope of change needed made this more efficient). Phase 2 pursues extensions and enhancements to Phase 1. Work on over 20 Phase 2 modules is in progress, covering both

Phase 2 work determined from the Phase 1 reviews and a number of new modules.

Secretariat Support: jules.gribble@bis.org

Financial Crime Task Force

The Financial Crime Task Force met on 20-21 March 2018 in Bermuda. The main items discussed were the following:

- Developing an *Application Paper on Supervision of Insurer Cybersecurity*, and
- IAIS collaboration as an Observer Organization with the Financial Action Task Force.

In furtherance of its work, the Task Force heard two presentations on the topics of Anti-Money Laundering/Combating the Financing of Terrorism and cybersecurity.

Secretariat Support:
yukiko.kamegawa@bis.org and
lance.leatherbarrow@bis.org

Insurance Groups Working Group

At its meeting on 10-11 April 2018, the Insurance Groups Working Group discussed ComFrame material related to IAIG identification criteria and supervisory principles for identification of the Head of the IAIG. The Working Group also discussed changes reflecting the impact of the Kuala Lumpur Agreement on the implementation of ICS Version 2.0 on ComFrame material.

Secretariat Support:
grzegorz.komarnicki@bis.org

Access to Insurance Initiative (A2ii) Report



The Access to Insurance Initiative (A2ii) is a unique global partnership which inspires and supports insurance supervisors in promoting access to insurance for underserved and low-income populations. It is the IAIS implementation partner on financial inclusion.

Recent Events

IAIS-A2ii Consultation Call on Innovation Hubs and Accelerators, 22 March (webinar)

On 22 March, the A2ii, in collaboration with the IAIS, hosted its 27th Consultation Call focusing on the topic of innovation hubs, accelerators, and sandbox arrangements.

When stimulating innovation, there are limits to what a supervisory authority can achieve alone. Inter-institutional cooperation is a powerful tool for responding to new market trends and for creating a safe space for the launch of new initiatives. This call took a closer look at these cooperation platforms and sandboxing arrangements, including case studies on the role of insurance supervisors within them.

The expert presenters invited to present on this webinar were from Cenfri, presenting some of the conclusions of their study *on Regulating for Innovation*, which can be found [here](#). Supervisors from the Kenyan IRA, the Zimbabwean IPEC, and Mexico's CNSF also gave presentations on the topic. The presentations can be found [here](#).

12th Consultative Forum on InsurTech: Rising to the Regulatory Challenge, 20 March, Colombo, Sri Lanka

The 12th Consultative Forum (CF12) on InsurTech: Rising to the Regulatory Challenge, occurred on 20 March in Colombo, Sri Lanka.

High-ranking representatives from the regulatory and supervisory bodies (in Asia), industry, nongovernmental organisations and other stakeholders attended.



InsurTech holds vast potential for improvements in insurance product design, development of better-tailored products and reduction of administrative costs. These efficiency gains can lead to lower premiums, better client servicing and faster pay-outs. However, InsurTech developments also embody a challenge for regulatory frameworks that must now consider new business models, new actors in the insurance value chain, data protection, cybersecurity and consumer education.

During the forum, innovative InsurTech applications were presented. A key message emerging from the discussion was the necessity for the human touch in advanced data analytics and artificial intelligence application. India and Pakistan presented the specific regulations issued in their countries. Participants discussed how the usage of Big Data and advanced data analytics enables increased segmentation and could lead to a situation where low-income/higher risk customers are priced out of the market and the risk-pool principle of insurance is dissolved.

To mitigate the risks and strike a balance between facilitating innovation and protecting consumers, supervisors must monitor and

understand the market. Test and learn environments and a close dialogue with the industry are important enablers of enabling innovation in the market to happen. To learn more about CF12, please review the [Beyond data - leveraging technology for inclusive insurance](#) post-event news release. The video of the forum is available [here](#).

Upcoming Events

13th Consultative Forum on Mobile Insurance and InsurTech: Rising to the Regulatory Challenge, 9-10 May, Accra, Ghana

The IAIS, African Insurance Organisation, Microinsurance Network and the A2ii will hold its 13th Consultative Forum (CF13) on Mobile Insurance and InsurTech: Rising to the Regulatory Challenge, on the afternoon of 9 May and morning of 10 June in Accra, Ghana.



This forum will focus on balancing innovation in the use of new technologies and how the various stakeholders – insurance supervisors, the industry and policymakers – can work to ensure that customers are treated fairly in providing access to insurance for previously unserved customers.

The Consultative Forum takes place alongside the [45th AIO Conference and General Assembly](#). Supervisors, policymakers and industry players are welcome to attend.

Further information and registration forms are available [here](#). For queries please contact A2ii Sub-Saharan Africa regional coordinator Janice Angove (janice.angove@fsb.co.za).

Supervisory Dialogue on the Impact of Informality on Insurance Markets – What Supervisors Can Do, 17 May, Rio de Janeiro, Brazil

The objective of this Supervisory Dialogue is to provide a platform for information sharing on the topic of informality on insurance markets. An overview of how informality may affect insurance markets will be provided with an examination of the risks for consumers and consideration of how informality may impact the structure and functioning of the sector.

The Supervisory Dialogue will be restricted to supervisors and is expected to bring together high-ranking representatives from across the region and beyond.

There will be simultaneous translation into Portuguese, Spanish and English.

To find out more or to register, please click [here](#).

IAIS-A2ii Consultation Call on Ratios and Cost Structures in Insurance Supervision, 24 May (webinar)

When licensing and supervising insurance products, supervisors need to make judgments on the soundness, sustainability and ethics of the product proposed.



This is particularly the case when products are designed as part of an initiative for increased financial inclusion, as these underserved segments often contain economically and socially vulnerable consumers with low familiarity with insurance products. This Consultation Call on Ratios and Cost Structures in Insurance Supervision will explore some of the approaches in evaluating this, the ratios involved (eg loss ratio, claims ratio, renewal ratio and others) and concrete examples of the considerations that come into play. This call topic is a response to the discussions that took place in the IAIS Implementation Committee

meetings in November 2017. To register for this call, please click [here](#).

The IAIS-A2ii consultation calls are topic-focused webinars (via WebEx) for insurance supervisors.

About the IAIS

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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