

Newsletter

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Issue 62



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Calendar Notes

Registration Now Open for the IAIS 10th Annual Global Seminar

Make plans to attend the 10th Annual IAIS Global Seminar in Old Windsor, United Kingdom on 29-30 June 2017, for the very latest on IAIS initiatives and activities. For IAIS Members, the Global Seminar will be preceded by committee meetings from 26-28 June.

To register:

For IAIS Members click [here](#)

For Public/Stakeholders click [here](#)

(See related article in Newsletter, p 9.)

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

From the Secretary General

The Asian Forum of Insurance Regulators (AFIR) met in Singapore on 16-17 March. As always, the Monetary Authority of Singapore was an exemplary host and seminar organiser.

This was an important event for both Asian region insurance regulators and the IAIS. For Asian region insurance regulators, this was an excellent opportunity to exchange information and enhance cooperation and coordination. For the IAIS, this provided an ideal occasion for insurance supervisors to learn more about IAIS standards and guidance.

It was a productive meeting with fruitful discussions. The China Insurance Regulatory Commission (CIRC) – the AFIR Chair – led the governance discussion to a clear conclusion and provided superb Secretariat support.

The AFIR members agreed on its membership and key activities in the coming year (ie capacity building, information exchange, regional cooperation, and structure and governance). The panels were informative and stimulating.

Members discussed the regulator role in enhancing penetration of catastrophic risk coverage in the Asian region and the sound development of cyber risk insurance. Some thought regulators should help raise awareness of catastrophic risk-related insurance and encourage standardisation of cyber risk terms and industry wide data collection. Regarding the regulation of FinTech insurers, members learned about the experience of some countries with a "sand box" approach.

As reaffirmed by the IAIS Executive Committee at its meeting in January, the IAIS is committed to supporting emerging market activities and promoting the regional initiatives of its Members.



In Focus...**IAIS Report: FinTech Developments in the Insurance Industry**

Ms Denise Garcia Ocampo*

“FinTech” refers to a variety of innovative financial technologies that are reshaping the provision of financial services. FinTech innovations are affecting all areas of the insurance value chain and presenting new opportunities and challenges for both the insurance industry and insurance supervisors.

Committed to raising awareness of common interests and concerns among insurance and other supervisors and identifying potential risks that may affect insurance supervision, the IAIS has released the report “FinTech Developments in the Insurance Industry”.

This report describes financial innovations relevant to the insurance industry and presents a general view of the potential impacts of these innovations on the insurance landscape and supervisory approaches, based on an analysis of three scenarios.

The main objective of this report is to inform the insurance supervisory community and other stakeholders of current FinTech developments affecting the insurance industry, allowing for further strategic consideration and discussion of possible future work. Regulation, together with firm level supervision, will need to evolve to ensure the right balance between maintaining policyholder protection without inadvertently stifling innovation.

Financial innovations in the insurance business

Innovation in the insurance industry is driven by technological developments and the changing expectation of customers. The most relevant “InsurTech” developments, those which are the variety of emerging technologies and innovative business models with the potential to transform the insurance business, are Digital Platforms, Internet of Things, Telematics, Big Data and Data Analytics, Comparators and Robo Advisors, Machine Learning and Artificial Intelligence, Distributed Ledger Technology (DLT) – including Blockchain and Smart Contracts – and business models like Peer-to-Peer, Usage Based and On-Demand Insurance.

These innovations are revolutionising every process in the insurance value chain where the pricing and underwriting processes are the most impacted. InsurTech innovations are being developed both by incumbent insurance companies as well as by new technology firms or “Startups”. These new entrants are focussing on improving specific aspects of the insurance value chain and are collaborating with insurance companies. Global investment in InsurTech startups has grown during the last few years. In 2015, investment rose to US\$ 2.5 billion; in particular, in companies based in the United States, Germany and the United Kingdom.

Potential impacts of financial innovations in the insurance business

InsurTech innovations have the potential to deliver a wide range of benefits such as efficiency improvements, cost reductions, improved risk assessment, superior customer experience and greater financial inclusion. However, some of these innovations could also have negative implications for insurance consumers and the financial stability of insurance markets. For example, the use of Big Data may lead to higher premiums or exclusions for certain customers and the limited availability of tech platforms may increase interconnectedness.

* Ms Garcia served on the IAIS Executive Committee FinTech Task Force that prepared this report. She is the General Director of Research and Development at the Insurance and Surety National Commission (CNSF) of Mexico. The IAIS Executive Committee approved the report at its meeting on 28 February 2017.

In this context, the IAIS analysed the potential impact of these innovations through a scenario-based approach which considered the varying degrees to which new technology firms could disrupt the insurance business model and the insurer landscape. The analysis was based on three scenarios.

InsurTech innovations have the potential to deliver a wide range of benefits; in particular, efficiency improvements, cost reductions, improved risk assessment, superior customer experience and greater financial inclusion.

At a more benign level, the first scenario considered supervisory implications assuming that incumbents successfully maintain the customer relationship and leverage technology firms for their own advantage. In contrast, the second scenario considered the case where the insurance value chain becomes fragmented; and incumbents are no longer in control of the customer relationship and instead rely on business relationships with technology firms or service providers for premium income. Finally, the third scenario considered the possibility that big technology firms (eg Google, Amazon, Facebook or Apple) leverage their technology and analytical advantages to squeeze-out traditional insurers.

The analysis of supervisory implications under each scenario was made with a focus on key themes such as competitiveness, consumer choice, interconnectedness, ability for regulatory oversight, business model viability and prudential capital requirements, conduct of business and data ownership.

The report contains a detailed discussion and conclusions for each scenario. In summary, the main findings from the scenario analysis on the potential impact of InsurTech innovations on the insurance market are the following:

- Competitiveness may be reduced in the longer term. Innovations will create competitive advantages and domination of tech-savvy firms. Smaller and traditional insurers may not be able to adapt and the number of insurers in the market may reduce.
- Insurance products will be more individualised affecting (price) comparability but also reducing the need to shop around especially if the insurance element is embedded in another service product. A reduced product comparability will limit consumer choice.
- The use of a limited number of technological platforms (eg cloud based or software providers) may increase interconnectedness and affect the vulnerability of the insurance sector.
- If profit margins come under pressure, insurers may need to find alternative income sources and change their business models. Some may focus more on risk prevention. Others may use data to reprice the risk while looking to increase scale.
- The increased focus on improvement of the customer experience will put the interests of customers front and centre providing an impulse to the fair treatment of customers. However, this will present challenges if the insurance value chain is more fragmented, and more participants enter the market, possibly reducing the ability of supervisory oversight.
- The use of (behavioural) data may affect the treatment of customers, possibly creating issues around the affordability of insurance products or even increased financial exclusion, regardless of the scenarios analysed. Additionally, other issues may arise around the use, ownership and protection of data.

Challenges for insurance supervisors

The direct impact of InsurTech developments on insurance regulation and supervision cannot be fully assessed since some innovations are in early stages of adoption in the insurance market and information is not available on its longer term experience. Nevertheless, the scenario-based approach

was designed to specifically draw out possible implications for supervision to ensure that the conclusions can assist in shaping the future strategic direction of the IAIS in this area.

Some of the challenges that insurance supervisors may face in the near future when addressing InsurTech innovations include the following:

- Supervisors need to understand how innovations work and are applied in order to ensure an adequate assessment of new product and business models. Supervisors need to establish guidelines for the appropriate and responsible use of new technologies and to determine best practices or principles for supporting innovations in the market.
- Supervisors will also need to balance the risks of new innovations against the benefits for policyholders and the insurance sector as a whole, and consider how to create the proper environment to foster innovation (eg through regulatory sandboxes or innovation hubs).
- Supervisors and policymakers will need to evaluate and, where appropriate adjust, their prudential regulation framework, to include the assessment and quantification of new risks (such as the use of algorithms for underwriting purposes), changes in corporate governance framework regarding third-party collaboration with InsurTech companies, among others. There needs to be a proper understanding both in the insurer and the supervisor of the IT architecture and infrastructure used by the insurer and how this is addressed in the insurers risk management framework.
- Supervisors will also need to consider whether or not current reporting requirements adequately allow for the monitoring of trends and the potential build-up of risk connected to new technologies.
- InsurTech innovations will have an impact on consumer protection and the extent to which customers are treated fairly. The technical infrastructure and applications used for maintaining customer relations need to cater to the fair treatment of customers and provide safeguards for advice and services that are suitable and affordable for the customer (eg in the use of Artificial Intelligence (AI) and robo advice mechanisms.¹
- Collaboration with other stakeholders: Collaboration and dialogue between stakeholders, such as supervised institutions, other market participants, academics, financial regulators and supervisors, as well as other authorities are essential.
- Supervisors will need to examine if their supervisory tools and information technology infrastructures need to be improved, since technological innovation also offers opportunities for supervisors to automate certain supervisory processes and compliance requirements. Additionally, supervisory staff may need to acquire new technical skills for an in-depth understanding of innovations and to be able to identify associated risks. In this sense, there is a need for supervisors to attract and retain talent with this skillset.

The scenario analysis in the report is by its nature an estimation of possible future developments based on certain assumptions. While the actual developments will likely more or less differ from this analysis and conclusions, it is essential that insurance supervisors become aware of the possible impact on the industry and their supervisory activities and, where needed, make the adjustments necessary to be able to effectively discharge their supervisory responsibilities.

To access the full report, please click [here](#).

¹ Online services that provide automated, algorithm-based product comparison and advice without human intervention.

**News
Updates****IAIS Launches Major ICP/ComFrame-Related Material Consultation Package**

On 3 March 2017, the IAIS launched a major consultation package covering proposed revisions to a number of IAIS Insurance Core Principles (ICPs) and ComFrame-related material integrated with ICPs, as well as an Application Paper on Group Corporate Governance.

The ICPs apply to the supervision of all insurers within a jurisdiction. ComFrame, the Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs), builds upon the ICPs with standards and guidance specific to the supervision of IAIGs. In response to stakeholder feedback and given the breadth and scope of the areas covered, the IAIS is providing a 90-day public comment period for the proposed revisions to the ICPs and ComFrame-related material. Public comments are due by 1 June 2017.

The IAIS held two public background sessions via teleconference to discuss the consultation package as well as the Application Paper – on 15 and 20 March. In response to stakeholder requests made during the public background session, the comment period for the Application Paper on Group Corporate Governance has been extended from 3 April 2017 to 1 May 2017 (see related article below). To access the consultation documents, please click [here](#). To access the Application Paper, please click [here](#).

Elements of the ICP/ComFrame Consultation Package

1. The Introduction to ICPs and ComFrame and the ICP Assessment Methodology
2. Governance
 - ComFrame material integrated with ICP 5 (Suitability of Persons), ICP 7 (Corporate Governance) and ICP 8 (Risk Management and Internal Controls)
3. The Supervisor and Supervisory Measures
 - Revised ICP 9 (Supervisory Review and Reporting), plus ComFrame integrated material
 - Revised ICP 10 (Preventive Measures, Corrective Measures and Sanctions), plus ComFrame integrated material (ICPs 10 and 11 are combined into a single ICP)
4. Supervisory Cooperation and Coordination
 - Revised ICP 3 (Information Sharing and Confidentiality Requirements)
 - Revised ICP 25 (Supervisory Cooperation and Coordination), plus ComFrame integrated material
5. Resolution
 - Revised ICP 12 and ComFrame integrated material (ICP 26 is currently planned to be integrated with ICPs 12 and 25.)

IAIS Extends Comment Period for the Application Paper on Group Corporate Governance

Following requests made by stakeholders during the IAIS public background session held on 20 March 2017, the deadline for submitting comments on the Application Paper on Group Corporate Governance has been extended from 3 April to 1 May 2017.

The deadline was extended because the content of the Application Paper relates to several elements of the ICP/ComFrame consultation package. The IAIS released the ICP/ComFrame package for public consultation simultaneously with the Application Paper but, unlike the Application Paper, the deadline

for submitting comments is 1 June 2017. The additional time will allow stakeholders to analyse the consultation materials in a more comprehensive way without adversely impacting the process for developing the Application Paper.

The deadline for the ICP and ComFrame-related material consultation package remains 1 June 2017.

IAIS Announces Systemic Risk Assessment and Policy Workplan

As part of the next three-year cycle for reviewing its approach to systemic risk assessment scheduled to conclude in 2019, the IAIS is developing an activities-based approach to systemic risk assessment in the insurance sector. To put this into effect, the IAIS has adopted a systemic risk assessment and policy workplan. The workplan consists of a logical sequence of planned activities.

The workplan consists of the following elements:

1. Developing an activities-based approach (assessment of potential systemically risky activities) at the insurance sector level.

2. Finalising any policy measures to address such potential systemically risky activities as part of ComFrame [including the Insurance Capital Standard (ICS) Version 2.0 to be adopted in 2019.

This well-articulated workplan will allow the IAIS to develop a comprehensive framework for the assessment and mitigation of systemic risk, building on the work carried out so far.

*Ms Victoria Saporta, Chair
IAIS Executive Committee*

3. As part of the regular three-year cycle, releasing the revised 2019 systemic risk assessment methodology for public consultation by year-end 2018, with adoption in 2019. The 2019 systemic risk assessment methodology will be applied starting from 2020.

4. Basing the planned revisions to Higher Loss Absorbency (HLA) requirements on ICS Version 2.0 scheduled for adoption in late 2019, rather than on the predecessor Basic Capital Requirement. The HLA revisions will occur following the adoption of the revised 2019 systemic risk assessment methodology. The HLA will be implemented beginning in 2022, once revised, and apply to any G-SIIs identified in 2020.

For more information on IAIS systemic risk assessment activities, please visit the IAIS website at www.iaisweb.org or click [here](#).

Stakeholder Engagement

IAIS Issues Comprehensive Stakeholder Engagement Plan Building on its Open and Transparent Process

On 28 February 2017, the IAIS Executive Committee approved the Stakeholder Engagement Plan developed by the Stakeholder Engagement Task Force. The Plan is comprehensive in scope and reflects both Member and stakeholder feedback. It recommends a number of new engagement commitments. In developing the Plan, the Task Force solicited and considered stakeholder feedback.

The Plan consists of five parts:

Part I covers background, including the parameters and evolution of the Plan. It points out that stakeholder engagement is an institutional priority of the IAIS. It describes the evolution of this process beginning in March 2013 when the IAIS undertook a review of its strategic goals, financial outlook and resources, through to January 2016 when the Executive Committee created the Stakeholder Engagement Task Force. Finally, Part I highlights several important changes made by the Executive Committee based on early recommendations of the Task Force such as reopening the Annual Conference to Stakeholders and expanding the Global Seminar to a two-day event.

The Plan is comprehensive in scope and reflects both Member and stakeholder feedback.

Part II sets forth the various elements of the Plan. It describes the general approach of the IAIS to stakeholder engagement as not showing a preference among stakeholders, while recognizing the need for flexibility on a case-by-case

basis in receiving stakeholder input. This part also sets out the guiding principles for stakeholder engagement, most of which are drawn from existing IAIS policy pronouncements. This includes the stated intent as expressed in the bylaws to operate in an “open and transparent manner”. It also describes the purposes underlying IAIS engagement, the benefits of engagement and criteria to use in evaluating engagement opportunities

Part III briefly describes the current engagement commitments, policies and strategies of the IAIS. Many of these were adopted by the Executive Committee in 2015. These include the reform of the consultation process, call for Executive Committee Dialogues with stakeholders, provision for subject matter stakeholder meetings and authorising committee and subcommittee chairs to invite and admit guests for the purpose of receiving targeted input. These are described more fully in the annex to the Plan.

Part IV is the heart of the new commitments, the new engagement opportunities. These new engagement commitments are grouped into two categories (Level One and Level Two). The categories reflect the degree of effort and resources required and readiness for implementation. Level One is generally for those the IAIS can do fairly readily whereas Level Two will generally either require more time to implement or require additional analysis to determine if implementation is practical or how best to go about implementation.

Part V provides for Plan implementation and is largely unchanged. Part V calls on the IAIS to monitor plan implementation by periodically surveying stakeholders concerning the quality and effectiveness of engagement.

In response to its Request for Feedback issued on 23 November 2016, the IAIS received a number of public comments. Much of the feedback centred around the following thematic areas:

- Stakeholder identification and interaction (strategies, best approaches, differentiation)
- Consultation process (multiple phases, minimum period, reasoning behind decisions)
- Subject matter hearings (more topics, more often, with diverse participants)
- Consumer engagement (more meaningful proposals such as funding travel)
- Stakeholder meetings (more information and advance notice)

Among the changes to the draft Plan resulting from stakeholder feedback were the following:

- Moving one new commitment from Level Two to Level One (ie holding stakeholder sessions with consumer representatives)

- Providing a 30-day advance notice for stakeholder meetings (with the possibility of exceptions or where a different timeframe is otherwise specified) and a 7-day advance notice for meeting materials.
- Including a recommendation that the complexity and size of consultation documents be taken into account when setting consultation timeframes.
- Including provisions regarding engagement with academics and professional organizations to provide that they demonstrate an understanding of the insurance business model, technical/regulatory matters and/or insurance markets.

To access the Plan and related documents, including comments received through the Request for Feedback and responses provided, please click [here](#).

Meetings and Events

Upcoming IAIS Meetings: March – June 2017

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
22-23 March	Reinsurance Task Force (Rio)
23-24 March	Insurance Groups Working Group (Rome)
28-29 March	Systemic Risk Assessment Task Force (Pretoria)
3-7 April	Capital, Solvency and Field Testing Working Group (Frankfurt)
24-25 April	Financial Stability and Technical Committee
27-28 April	Market Conduct Working Group (New York)
8-12 May	Capital, Solvency and Field Testing Working Group (Seoul)
15-18 May	Financial Inclusion Working Group & Drafting Groups (Ljubljana)
17-18 May	Systemic Risk Assessment Task Force (Washington, DC)
23-24 May	Financial Crime Task Force (Paris)
5-9 June	Capital, Solvency and Field Testing Working Group (Rome)
7-8 June	Accounting and Auditing Working Group (Toronto)
13-14 June	Supervisory Material Review Task Force (Washington, DC)
15-16 June	Governance Working group (Washington, DC)
26 June	Systemic Risk Assessment Task Force (Old Windsor, United Kingdom)
26-28 June	IAIS Parent Committee Meetings (Old Windsor, United Kingdom)
29-30 June	IAIS Global Seminar (Old Windsor, United Kingdom)

Stakeholder Meetings

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

Registration Underway for 10th Annual IAIS Global Seminar

The IAIS is holding its 10th Annual Global Seminar in Old Windsor, United Kingdom from 29-30 June. This two-day event is an opportunity for Members and stakeholders to receive updates and exchange views on IAIS activities and initiatives and discuss global insurance trends.

The Seminar will cover such areas as:

- ComFrame
- Insurance Capital Standard (ICS)
- Activities Based Approach to Systemic Risk Assessment
- Implementation Activities
- Conduct of Business
- Sustainable Insurance
- Technological Innovation

As part of the Global Seminar program, the Executive Committee will host a stakeholder dialogue on 29 June. Stakeholders are invited to propose topics and submit questions for discussion. To suggest a topic for discussion and/or questions, please email these to Stephen Hogge, Senior Policy Advisor for Communications, at stephen.hogge@bis.org by Monday, 15 May 2017. This will not preclude attendees from posing questions on any other relevant issues in the question and answer portion of the dialogue.

For IAIS Members, the Global Seminar will be preceded by committee meetings from 26-28 June. To register: For **IAIS Members** click [here](#). For **Public/Stakeholders** click [here](#).

Seminars

Upcoming: Pension Systems: Challenges and Perspectives **17-18 April 2017, Santiago, Chile**

This seminar is designed to address the relationship between pensions and insurance since the accumulation of financial resources through pensions will end up in an insurance product such as social security pensions. Seminar topics include:

- Pension systems, savings and investment: challenges for emerging countries
- Pension fund investments managed by insurers and administrators
- Population aging and longevity
- Insurance and disability
- Challenges and perspectives of the pension system and the role of insurance companies and pension fund administrators
- Solvency regulation of insurance companies and risk management of pension funds
- Adjustment to pension system parameters
- Competition, regulation and supervision of pension system benefits

This seminar is hosted by Superintendencia de Seguros de Chile, and jointly organised by the Asociación de Supervisores de Seguros de América Latina (ASSAL), the International

Association of Insurance Supervisors (IAIS) and the International Association of Pension Funds Supervision. For more information, please visit the ASSAL website by clicking [here](#).

Recent: 9th Consultative Forum (CF9): Exploring Challenges in Scaling up Insurance as a Disaster Resilience Strategy for Smallholder Farmers”, 14 March 2017, Singapore

The 9th Consultative Forum (Forum) was hosted by the Monetary Authority of Singapore, and co-organised by the Microinsurance Network, the Access to Insurance Initiative (A2ii) and the IAIS. It brought together over 50 high-ranking representatives from the public sector, supervisory authorities and the insurance industry. It aimed to stimulate dialogue between policymakers, supervisors and the industry that is critical to fostering knowledge and sound policymaking in the field of inclusive insurance.

The majority of IAIS Member countries are developing and emerging economies. Many of these rely substantially on agriculture. Policymakers and supervisors from these jurisdictions, including those from Asia, recognise the potential of insurance to reduce the vulnerabilities faced by farmers. These challenges were discussed, while highlighting how three equally critical stakeholders – insurance supervisors, policymakers and the industry – can cooperate and align their respective roles in addressing these challenges.

The half-day event took place two days before the 12th Annual Conference of the Asian Forum of Insurance Regulators. Highlights of this Forum include a panel discussion and a workshop, followed by a field visit to the offices of Lloyd's in Singapore.

Recent: Mobile Insurance Conference 22-23 February 2017, Douala, Cameroon

The first Mobile Insurance Conference closed after two days of intensive discussions on how to overcome barriers and seize opportunities of using mobile technologies to enhance access to insurance of low-income populations. One hundred participants from 26 countries attended the conference.

Mobile insurance has been a strong driver for the increase of retail insurance penetration in regions with very low insurance uptake. The conference highlighted the need for insurance supervisors to balance the objectives of market development and consumer protection.

The discussions revealed that creating flexibility in regulation to allow space for innovation is vital. This applied not only to mobile insurance, but the broader leaps being taken in the application of Insurtech to develop markets. To achieve this, capacity building among all stakeholders, public and private, will be an important foundation. A common theme in the discussions was that, throughout the insurance delivery process, building consumer awareness and understanding is required for an optimal insurance experience.

One of the highlights of the conference is the launch of the new A2ii report, “Regulating Mobile Insurance: Status and Regulatory Challenges”. The report explored the risks and opportunities of mobile insurance, drawing on the experiences of 26 jurisdictions. (Click [here](#) to download the report.

The A2ii, the IAIS, and the Inter-African Conference on Insurance Markets (CIMA) organised the conference.

Notices**Career Opportunities with the IAIS**

IAIS – HEAD OF CAPITAL & SOLVENCY. The IAIS is currently inviting applications for the position of Head of Capital & Solvency, with a focus on leading IAIS work on developing global insurance capital standards for internationally active insurance groups and related work on standard setting.

To apply, please click [here](#).

MEMBER OF THE SECRETARIAT – SENIOR POLICY ADVISOR (CAPITAL & SOLVENCY STANDARD SETTING). The IAIS is inviting applications for a position as Senior Policy Advisor, with a focus on supporting IAIS work on developing global insurance capital standards and related work on standard setting. To apply, please click [here](#).

For questions, please send a message to IAIS.Recruitment@bis.org. The closing date for completed applications for both positions is Monday 3 April 2017.

Committee and Subcommittee Activities

Committee Activities

Appointments of Chairs and Vice Chairs

The Selection Committee has recently made the following appointments:

- Alberto Corinti (Italy), Chair of the Systemic Risk Assessment Task Force.
- Steven Seitz (USA, FIO), Vice Chair of the Systemic Risk Assessment Task Force.

Executive Committee

At its meeting on 28 February, Executive Committee members discussed the following issues:

Systemic Risk Workplan. The Acting Chair of the Systemic Risk Assessment Task Force (SRATF) reported on its first meeting and proposed workplan. He indicated that the Task Force plans to meet regularly and engage with stakeholders. It is proposing an interim public consultation in 2017 to complement the planned public consultation in 2018. Following discussion, the committee approved the Task Force workplan without objection. (For related article, see Newsletter, p 6.)

ComFrame and the ICPs. The committee approved a package of material for public consultation including revisions to ComFrame and an Application Paper. (For related article, see Newsletter, p 5.) The committee also received a report on progress towards ICS Version 1.0 for extended field testing, with the Acting Chair of the Financial Stability and Technical Committee (FSTC) describing the issues that have reached consensus and the issues that are still being discussed. Committee members recognised the progress that had been made and agreed on a way forward to help ensure Version 1.0 for extended field testing is finalised in June as planned.

Report from the Implementation Committee.

The Chair of the Implementation Committee provided an update on general programme activities and revisions to the IAIS Handbook for Conducting Assessments and the IAIS Guidelines for Supporting Regional Seminars, both of which will be submitted to the committee for approval via written procedure. The Chair also described the successful webinar delivered in cooperation with the A2ii on the topic of reinsurance. This webinar was developed following a request from the committee in Asuncion based on feedback received from several emerging market members and ASSAL. Finally, the Chair reported on development of an emerging market strategy, which is expected to be delivered to the committee for discussion in June.

Financial Stability Institute. A presentation was received from Mr Fernando Restoy, the new Chair of the Financial Stability Institute (FSI). He outlined the mandate and objectives of the FSI and noted that it undertakes three main activities: outreach events, FSI Connect (e-learning) and policy implementation work. Mr Restoy discussed the FSI's strategic direction and how it plans to strengthen its work with stakeholders, including the IAIS. Potential areas for joint work were outlined such as a 2017 project to develop insurance supervisory strategies for dealing with low interest rate risk. Members welcomed Mr Restoy's presentation and agreed to work with the FSI on potential areas of joint work.

Stakeholder engagement. Vice Chair Julie McPeak outlined the draft stakeholder engagement plan, which was updated following consultation with stakeholders following the November 2016 meeting. Following discussion, the committee agreed to adopt the stakeholder plan and publish the responses to stakeholder comments. (For related article, see Newsletter, p 6.)

FinTech. The committee received and agreed to publish the IAIS Fintech report (for related article, see Newsletter, p 2), further agreeing with several of its recommendations.

Specifically, the agreed that FinTech developments should be included in the Global Insurance market report (similar to cyber risk issues) and that FinTech panels should be organised at the IAIS Global Seminar, Annual Conference and Regional Seminars. The committee asked the Secretariat to prepare a memo with proposals on how to organise or implement the other recommendations in the report.

Secretariat Support: andrew.stolfi@bis.org

Financial Stability and Technical Committee

During the call on 23 February 2017, the FSTC approved to present the consultation package of revised ICPs and ComFrame-specific material integrated with ICPs as well as the draft Application Paper on Group Corporate Governance to the Executive Committee for public consultation. The FSTC also discussed the G-SII 2017 exercise. In this regard, the FSTC approved the 2017 Insurer-pool and the start of the Data-launch on 15 March 2017.

At its meeting on 27 February 2017, the FSTC discussed a number of issues related to preparation of field testing exercise (to be launched in May 2017) and ICS Version 1.0 for extended field testing. The FSTC made the following decisions:

- To lower the calibration for real estate risk and equity risk to 25% from 30% for ICS Version 1.0 for extended field testing.
- To maintain the basic three segment approach to marked-adjusted valuation (MAV) for ICS Version 1.0 for extended field testing subject to specific technical changes as agreed with relevant local supervisors about the definition of the underlying Instrument for the Base Yield Curve for their currencies.
- To base the MOCE placeholder on the ICS capital requirement.
- To move forward with a “modified blended option” as the benchmark for spread on the base yield curve for MAV, which means that for:

- ICS MAV balance sheet – it is presented on all three options: modified blended option, AA Plus option and Own Assets with Guardrails option
- ICS capital requirement calculation:
 - Full ICS calculation on blended approach with higher application ratio (top bucket: 100%; general bucket: 80%). This is the modified blended option.
 - Recalculate interest rate risk and longevity risk for additional two MAV options and any other risks where the impact on the capital ratio is likely to be significant (ie AA Plus, OAG).
- Capital resources (for solvency ratio determination) calculated on modified blended option balance sheet

The use of the modified blended option as the benchmark does not suggest an agreed preference for this approach. The FSTC approved the recommendation to launch the exercise of the identification of IAIGs.

Secretariat Support:
grzegorz.komarnicki@bis.org

Implementation Committee

The Implementation Committee met in Basel on 1 March to discuss key initiatives that are underway.

Major discussions occurred on:

- Updates to the IAIS Assessment Handbook aimed at bringing the handbook in line with current practice on assessing implementation of the Insurance Core Principles.
- Revisions to the Regional Seminar Guidance to make the criteria for receiving financial support and the administration of reimbursements more transparent.

Pending final changes to these two documents, the committee will submit them to the Executive Committee for final approval through written procedure.

The Secretariat briefed the committee on the findings from the 2016 Global Insurance Market Report. Committee members discussed key topics that could be added to the 2017 report.

The Expert Team Leader of the Assessment on ICPs 13 (Reinsurance and Other Forms of Risk Transfer) and 24 (Macroprudential Surveillance and Insurance Supervision) updated IC members on the findings from their assessment, noting some of the key impediments to observance for ICPs 13 and 24 and the findings of the team on areas where the standards could be clarified.

The committee also received updates from subcommittees on key initiatives currently underway. The Financial Inclusion Working

Group noted that progress was being made on Application Papers covering Digital Technology, Product Oversight and Actuarial Approaches in Inclusive Insurance Markets, with consultations envisioned for these papers in 2017. The Signatories Working Group highlighted the current status of the evaluation of new signatories and work underway to support an efficient process.

The Core Curriculum Task Force noted its efforts to complete Phase 1 of the updates for the Core Curriculum.

Partners – the Financial Stability Institute and the Access to Insurance Initiative – also updated members on their current activities.

Secretariat Support: conor.donaldson@bis.org

Subcommittee Activities

Accounting and Auditing Working Group

At its meeting on 1-2 March, the Accounting and Auditing Working Group had discussions with external standard setters on key projects such as IFRS 17 and ISA 540 revisions, a dialogue on the Monitoring Group's IFAC reform initiatives, updates on Working Group projects, and an Interested Stakeholders call-in session.

The Working Group plans to continue to explore the need for IAIS materials to support – where necessary – the consistent application of the soon-to-be released IFRS 17 requirements, consider a broader disclosure framework and work to promote enhanced audit quality.

Secretariat Support: mark.causevic@bis.org

Capital, Solvency and Field Testing Working Group

The Capital, Solvency and Field Testing Working Group met in New York from 6-10 March to discuss and prepare papers for the FSTC on several of the risks in the Insurance Capital Standard (ICS), including interest rate, catastrophe, non-life, life, credit and operational risks. The papers include summarised feedback from the recent ICS consultation process and 2016 field testing exercise. Proposals and options will be presented to the FSTC and to the Executive Committee up until June 2017, when ICS Version 1.0 for extended field testing is set to be approved.

Members will soon conclude the 2016 field testing data analysis phase as the focus shifts to finalising Technical Specifications for 2017 field testing. These will be officially launched with all field testing volunteers in mid-May 2017.

ICS Version 1.0 for extended field testing will contain a narrower set of options for purposes of extended field testing by all IAIGs. At the January Executive Committee meeting, members agreed to encourage all IAIGs within their respective jurisdictions and other firms that may not qualify as IAIGs, but are nonetheless interested, to participate in extended field

testing of the ICS from 2017 to 2019. It is very important for existing volunteers to stay engaged in the ICS project to ensure that the ICS design and calibration have regard to as many business profiles as possible. The IAIS would like to encourage any insurer that wishes to participate in extended field testing to become a volunteer and begin discussions with their supervisors as soon as possible.

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Financial Inclusion Working Group

Two drafting groups of the Financial Inclusion Working Group continued their work on the development of two Application Papers: 1) Application Paper on the Use of Digital Technology in Inclusive Insurance and 2) Application Paper on Product Oversight in Inclusive Insurance. The group working on digital technology met in February in Douala, Cameroon, alongside the A2ii Mobile Insurance Conference. The group working on product oversight met by webinar on 7 March.

The groups will continue their discussion at the May meetings in Ljubljana, Slovenia in an effort to release the draft papers for consultation at the beginning of July 2017.

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Financial Crime Task Force

Philip J. Goodman,* Financial Crime Task Force Chair, attended the plenary meeting of the Financial Action Task Force (FATF) on 22-24 February 2017 in Paris, representing the IAIS as an observer. He provided updates on the work of the IAIS on anti-money laundering and combatting the financing of terrorism, including the Application Paper on Combatting Money Laundering and Terrorist Financing (published October 2013) and the review of ICP 22 (Anti-Money Laundering and Combating the Financing of Terrorism).

[*Mr Goodman is Senior Insurance Regulatory Policy Analyst at the Federal Insurance Office, U.S. Department of the Treasury.]

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Governance Working Group

The IAIS published ComFrame-specific material integrated with ICPs 5 (Suitability of Persons), 7 (Corporate Governance) and 8 (Risk Management and Internal Controls) for public consultation on 3 March. Stakeholders as well as IAIS Members are invited to comment by 1 June 2017. The draft Application Paper on Group Corporate Governance was published for public consultation on 3 March, with a deadline for comments of 3 April.

The next meeting of GWG will take place on 15-16 June 2017 in Washington DC.

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Insurance Groups Working Group

The IAIS published drafts of revised ICPs 3 (Information Exchange and Confidentiality Requirements) and 25 (Supervisory Cooperation and Coordination) as well as ComFrame specific material integrated with ICP 25 for public consultation on 3 March. Stakeholders as well as IAIS Members are invited to comment by 1 June 2017.

The next meeting of the Insurance Groups Working Group will take place on 23-24 March 2017 in Rome.

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Resolution Working Group

The IAIS published a draft of revised ICP 12 (Winding Up and Exit from the Market) for public consultation on 3 March 2017. Main differences in structure from the version for the Request for Feedback held in August 2016 include the

following: ComFrame text on resolution is integrated in ICP 12; requirements on recovery planning, which used to be placed in Module 3 Element 3 of ComFrame, is now integrated in ICP 10 (Preventive and Corrective Measures); and requirements on crisis management, which also used to be in Module 3, Element 3, are now in ICP 25. Stakeholders as well as IAIS Members are invited to comment by 1 June 2017.

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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

First Mobile Insurance Conference closes with a call for increased cooperation among supervisors, industries and policy makers.

The first Mobile Insurance Conference closed after two days of intensive discussions on how to overcome barriers and seize the opportunities of using mobile technologies to enhance access to insurance of low-income populations. One hundred participants from 26



countries attended the conference held the 23-24 February in Douala, Cameroon.

Issofa Nchare, General Secretary of the Inter-African Conference on Insurance Markets (CIMA), closed the conference stating that mobile insurance (m-insurance) provides a top opportunity for insurance market development. He also called upon insurance regulators to facilitate innovation while ensuring consumer protection.

Hannah Grant, Head of A2ii Secretariat, reiterated the need for strengthened cooperation and coordination among supervisors, industries and policy makers, and stressed the importance of flexibility in regulatory frameworks to allow the growth of new business models.

M-insurance has been a strong driver for the increase of retail insurance penetration in regions with very low insurance uptake. The conference highlighted the need for insurance supervisors to balance the objectives of market development and consumer protection.

The discussions revealed that creating flexibility in regulation to allow space for innovation is vital. This applied not only to m-insurance, but the broader leaps being taken in the application of InsurTech to develop markets. To achieve this, capacity building among all stakeholders, public and private, will be an important foundation. A common theme in the discussions was that, throughout the insurance delivery process, building consumer awareness and understanding is required for an optimal insurance experience.

Digital technology is changing the insurance landscape by paving the way for new players and business models with the potential to rapidly expand coverage. The discussions during the conference made it clear that there are still many open questions to resolve in this space.

M-insurance cuts across multiple laws, regulations and authorities that extend beyond the insurance sector – among them, eg payments systems and telecommunications. This overlap creates the need for cooperation across these industries, the models of which are still new and growing. The advent of technology has introduced a range of new players, notably technical service providers, and the question remains how to effectively include these new players, while keeping the consumer experience positive.

One of the highlights of the conference was the launch of the new A2ii report, “Regulating Mobile Insurance: Status and Regulatory Challenges”. The report explores the risks and opportunities of mobile insurance, drawing on the experiences of 26 jurisdictions. (Download

the report here:
https://a2ii.org/sites/default/files/reports/20170214_mobile_insurance_conference_print2520.pdf)



Kofi Andoh, an insurance supervisor from Ghana, shared his country's experiences on mobile insurance, remarking that "Insurance is a promise which one cannot simply discontinue that in the next month", referring to some initial short-term loyalty products that were introduced in some markets. Andoh also stressed that it is important for regulations to support more than one method of purchasing cover. He further recommended that the most helpful regulatory environment is where the edges of the playing field are clearly marked out and the regulator does not become a player setting premiums and commissions.

Luc Noubissi, chair of the IAIS Drafting Group on Digital Inclusive Insurance, reporting the work of his team gathered ahead of the conference, stated "Digital technology can help solve inclusive insurance challenges, but gives rise to particular risks and regulatory considerations to which supervisors should respond through a proportionate application of the principles for insurance regulation". Noubissi invited supervisors to actively contribute to the IAIS Application Paper on the topic, by providing illustrations, recommendations or examples of good practices on how supervisory material may be implemented. "The Application paper is planned to be adopted by the end of 2017 and will provide additional material to mitigate the risks raised by digital technologies in various stages of product life cycle and in value chain", he concluded.

A conference report will be available in April.

The conference was organised by the A2ii, the IAIS, and CIMA. It is supported by BMZ, DGIS, UK Aid, FSD Africa and Munich Re Foundation. The presentations are available at <https://a2ii.org/en/event/save-date-iais-a2ii-cima-mobile-insurance-conference>.

9th Consultative Forum on Insurance for Smallholder farmers, 14 March 2017, Singapore. The IAIS, the Microinsurance Network and the A2ii held its 9th Consultative Forum on "Exploring challenges in scaling up insurance as a disaster resilience strategy for smallholder farmers" on 14 March 2017 in Singapore.

Hosted by the Monetary Authority of Singapore (MAS), the dialogue focused on challenges in scaling up agricultural index-based insurance, and how insurance supervisors, policymakers and the industry can cooperate in addressing them.

Recent Publications

Regulating Mobile Insurance: Status and Regulatory Challenges. This document serves as a preliminary summary of a larger study commissioned by the A2ii for 2017. It reviews supervisory approaches to mobile insurance (m-insurance) in various jurisdictions and was designed with the aim of providing inputs at the IAIS-A2ii-CIMA Conference on Mobile Insurance Workshop in Douala, Cameroon held 23-24 February. The study draws on various sources including online surveys, telephone interviews and desktop research. Online surveys were completed by insurance supervisors from 26 jurisdictions and follow-up in-depth telephone interviews were conducted with insurance supervisors from 9 jurisdictions between October 2016 and January 2017 (ie Brazil, CIMA, Ghana, Kenya, India, Indonesia, Philippines, South Africa and Tanzania). Furthermore, additional interviews were also conducted with key resource persons and stakeholders within the m-insurance sector. This study will also feed into the work of the IAIS Drafting Group on Digital Technology in Inclusive Insurance on an applications paper on digital insurance. The paper focuses on m-insurance, but also addresses some other aspects of digital insurance and technology.

Download the report here:
<https://a2ii.org/en/report/thematical/regulating-mobile-insurance-status-and-regulatory-challenges>.

Report on 19th A2ii-IAIS Consultation Call on "Data protection challenges in mobile insurance". The 19th Consultation Call, held on 24 November 2016, focused on exploring data protection challenges arising from mobile insurance business models. Four calls were held: two in English, one in French and one in Spanish.

Technical experts Dr Nicola Jentsch (Consultant) and Andrea Camargo (Director of Regulation and Consumer Protection at the Microinsurance Catastrophe Risk Organisation, MiCRO) explored important privacy and data protection risks introduced by applying Big Data analytics to the provisioning of insurance, as well as corresponding regulatory considerations for supervisors. Country experts Eugene Du Toit from the South African Financial Services Board and Ranferi Gómez from the Mexican National Commission of Insurance and Finance shared the experience of their jurisdictions with data protection in mobile insurance.

Download the report here:

EN:

https://a2ii.org/sites/default/files/field/uploads/19.20consultation_call_engl_web.pdf

FR:

https://a2ii.org/sites/default/files/field/uploads/19.20consultation_call_fr_web.pdf

Report of the CIMA-A2ii Workshop "Regulating Mobile Insurance". In May 2016, the Inter-African Conference on Insurance Markets (CIMA) in partnership with the Access to Insurance Initiative (A2ii) hosted a workshop on regulating mobile insurance in Abidjan, Côte d'Ivoire.

The main objective of the workshop was to provide inputs to assist CIMA in developing regulations to deal with mobile insurance that protect the policyholder and ensure financial stability. The workshop was also intended to create a framework for cooperation and information exchange between the supervisors

and regulators involved in mobile insurance in the CIMA zone.

Read the conference outcomes in this report:
<https://a2ii.org/en/report/regulation-and-supervision-cima/report-cima-a2ii-workshop-regulating-mobile-insurance>

Upcoming Events

21st IAIS-A2ii Consultation Call on "Measuring insurance development: beyond the insurance penetration rate", 23 March 2017. The insurance penetration rate is traditionally calculated based on total premiums as a percentage of Gross Domestic Product. This has served as a useful high-level measure of insurance development, while providing a good basis for international comparison. However, supervisors pursuing more specific policy goals, such as financial inclusion or client value, may find that this measure on its own does not provide enough meaningful information to guide policy strategies.

To register, visit: <http://a2ii.org/en/consultation-calls/21st-a2ii-iais-consultation-call-measuring-insurance-development-beyond-insurance>

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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