

# ICS public background session

Development of ComFrame material for  
ICS supervisory reporting and public disclosure

Public

28 February 2025

## Agenda

1. ICS Overview
2. ICS Implementation Projects
3. ICS Supervisory Reporting and Public Disclosure
4. Q&A

# ICS overview

# Overview and objectives – ICS adopted December 2024

## ICS Overview

**Purpose:** to create a common language for supervisory discussions of group solvency and enhance global convergence among group capital standards.

- **Consolidated** minimum group-wide standard for Internationally Active Insurance Groups (IAIGs)
- **Globally comparable** risk-based measure of capital adequacy
- Reflects **all material risks** of IAIGs
- Target level: **99.5% Value-at-Risk over 1-year** time horizon
- Developed as a **‘Prescribed Capital Requirement’**
- Part of ComFrame (Common Framework for the Supervision of IAIGs)

## ICS Objectives

Policyholder  
protection  
and financial  
stability

Comparable  
outcomes  
across  
jurisdictions

Promote  
sound risk  
management

Minimise  
inappropriate  
pro-cyclical  
behavior

Balance  
between risk  
sensitivity  
and  
simplicity

### IAIG criteria:

At least USD 50b insurance assets or USD 10b premiums; active in 3 or more jurisdictions; and at least 10% of premiums written outside home jurisdiction.

# What is the ICS and what are its key components?

## Scope



- Quantitative element of the ComFrame for the Supervision of IAIGs
- Consolidated group-wide standard; **not** legal entity
- Minimum standard that IAIS members with IAIGs will implement, taking into consideration specific market circumstances in their respective jurisdictions
- Focus on insurance activities; non-insurance activities in the ICS will leverage on existing international frameworks (e.g. Basel III for banking activities)

## 3 Main Components



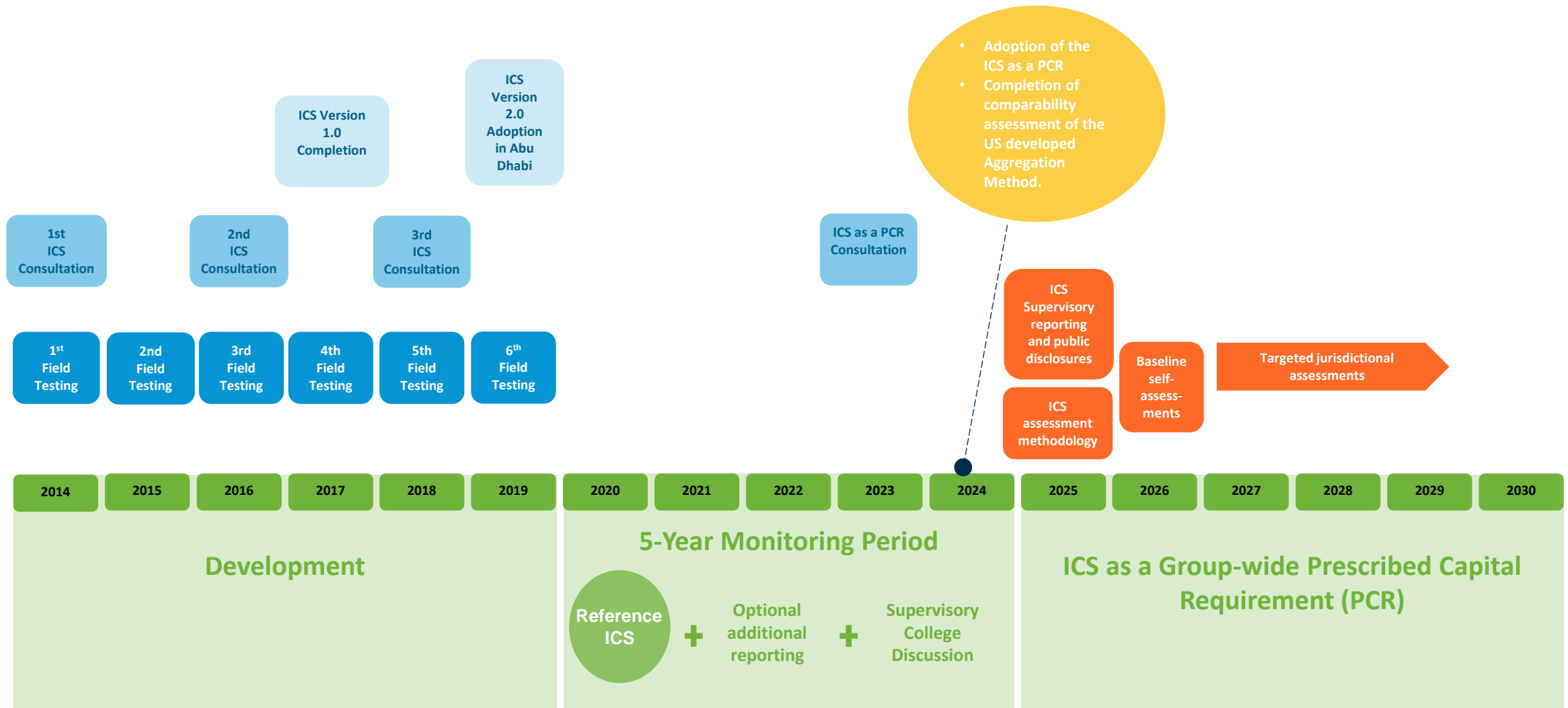
- Valuation
- Capital requirement
- Qualifying capital resources

## Risk Coverage



- The ICS reflects all material risks of an IAIG's portfolio of activities taking into account assets, liabilities, non-insurance risks and off-balance sheet activities (e.g. insurance, market, credit, operational). To the extent that risks are not quantified in the ICS, they are addressed elsewhere in ComFrame

# Insurance Capital Standard timeline



# ICS Implementation Projects



# Role of the IAIS in the ICS implementation

While the IAIS is the global standard setter for insurance supervision, **the IAIS does not have the legal authority to mandate implementation** of its standards into national legislations.

However, **IAIS members are committed to implementing IAIS standards and supervisory material**, while also adapting it to their specific market circumstances.

As with other IAIS standards, **the ICS will constitute a minimum standard**, which IAIS members will implement or propose to implement, taking into account market specificities in their jurisdiction.



# ICS implementation projects

**1. Development of ICS-related new standards (supervisory reporting and public disclosure)**

2. Support to ICS implementation

3. ICS implementation assessment – Development of ICS implementation assessment methodology

For 2025/26, the IAIS will be engaged in 4 ICS-related projects:

4. ICS implementation assessment – ICS self-assessment

# ICS Supervisory Reporting and Public Disclosure

# ICS supervisory reporting and public disclosure - Objective

## Context and Objective

- As a follow-on from ICS adoption, the IAIS will develop ICS-related ComFrame standards on supervisory reporting and public disclosure, **to promote the use of a common language** for the group-wide supervision of **IAIGs**.
- The development of those ComFrame standards relates to **ICP 9** (Supervisory review and reporting) and **ICP 20** (Public Disclosure)

# ICS supervisory reporting and public disclosure – ICP 9 and ICP 20

## ICP 9 (Supervisory review and reporting)

The supervisor uses off-site monitoring and on-site inspections to:

- examine the business of each insurer;
- evaluate its financial condition, conduct of business, corporate governance framework and overall risk profile;
- and assess its compliance with relevant legislation and supervisory requirements.

## ICP 20 (Public Disclosure)

The supervisor requires insurers to disclose relevant and comprehensive information on a timely basis in order to give policyholders and market participants a clear view of their business activities, risks, performance and financial position.

ICS public disclosure requirements to largely be a **subset** of the supervisory reporting requirements.

# ICS supervisory reporting and public disclosure

## Issues currently under discussion

- High Level Principles that will guide drafting of ComFrame
- Elements to be reported and granularity of the reporting
- Common elements between supervisory reporting and public disclosure
- Standard vs guidance
- Need for separate supporting material (eg application paper)
- Qualitative vs quantitative elements
- How elements should be assessed in the context of the US Aggregation Method

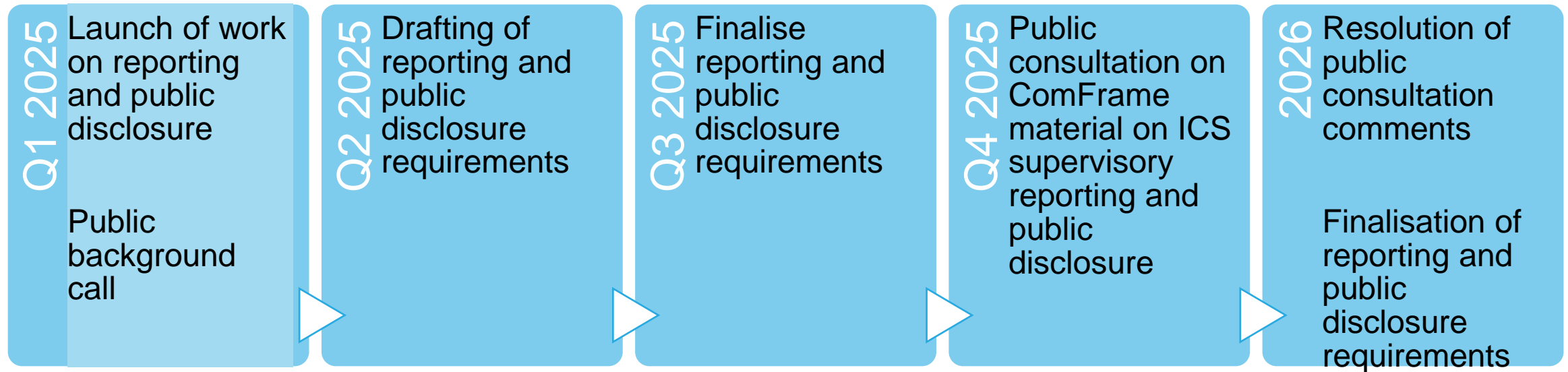




## ICS supervisory reporting and public disclosure - Activities

- Internal stock-take of current reporting / disclosure practices
- Public background call
- Drafting high level principles on how detailed the supervisory material should be (prescriptive, balanced standard vs guidance)
- Consideration on how to assess the observance of the standards in the US implementation of the ICS (Aggregation Method)

# ICS supervisory reporting and public disclosure - Timeline



# Annex



# ICS related amendments to ComFrame

Reference <sup>1</sup>	Proposed amendment [underlined text shows insertions and strikethrough text shows deletions]	Explanation and link to ICS Principles
History, page 3	<p>The Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) was adopted in November 2019 <u>and updated in December 2024</u>. ComFrame is presented in blue boxes within the ICP Introduction and Assessment Methodology as well as within the following ICPs: 5, 7, 8, 9, 10, 12, 15, 16, <u>17</u>, 23 and 25.</p> <p>The IAIS Glossary was <del>last</del> revised in <u>December 2024</u>, <del>together with the adoption of the ICS and revised ICPs 14 and 17, so terms will be revised together with the revision of ICPs 14 and 17, which will commence after the agreement of the ICS Version 2.0 for the monitoring period.</del></p>	To record amendments made since November 2019.
ComFrame Introduction, paragraph 22, page 9	<p><u>The Insurance Capital Standard (ICS) is the quantitative element of ComFrame. The ICS is the group-wide Prescribed Capital Requirement (PCR) for IAIGs. The ICS is presented in two documents: the Level 1 document (sets out the overarching principles and concepts of the ICS); and the Level 2 document (provides detailed specifications), which can be accessed <u>here</u><sup>2</sup>.</u> <del>As part of ComFrame, the IAIS is developing an insurance capital standard (ICS), which aims to provide a globally comparable risk-based measure of capital adequacy of IAIGs. ICS Version 2.0 is presented in a stand-alone document and is being used during a five-year monitoring period for confidential reporting to group-wide supervisors and discussion in supervisory colleges. The ICS is not used as a groupwide Prescribed Capital Requirement (PCR) during</del></p>	<p>Restatement of current text.</p> <p>Clarifying that the ICS monitoring period has been concluded and that the ICS is now the PCR for IAIGs.</p> <p>As the "Introduction and Assessment Methodology" section to the ICP and CF makes it clear that all standards are quantitative and qualitative supervisory minimum requirements, and in the case of CF, tailored to the international activity and size of IAIGs, there is no need to repeat this in the proposed operationalising amendments.</p>

<sup>1</sup> Insurance Core Principles and Common Framework for the Supervision of Internationally Active Insurance Groups, updated November 2019.

<sup>2</sup> Link to be added once the ICS is adopted and published on the IAIS website.

# ICS related amendments to ComFrame

Reference <sup>1</sup>	Proposed amendment [underlined text shows insertions and strikethrough text shows deletions]	Explanation and link to ICS Principles
	<del>the monitoring period. In the second phase of implementation of ICS Version 2.0, the ICS will be implemented as a group-wide PCR.</del>	
CF 9.4.a	The group-wide supervisor requires the Head of the IAIG to report <del>the reference</del> <u>its ICS results</u> and, at the option of the group-wide supervisor, <del>any additional reporting related to the ICS.</del>	Clarifying, linking and giving effect to the following ICS Principles:  1: The ICS is a consolidated group-wide standard with a globally comparable risk-based measure of capital adequacy for IAIGs.  5: The ICS aims at comparability of outcomes across jurisdictions and therefore provides increased mutual understanding and greater confidence in cross-border analysis of IAIGs among group-wide and host supervisors.  9: The ICS is transparent, particularly with regard to the disclosure of final results.
Add CF 17.4.a	<u>The group-wide supervisor establishes the ICS as the PCR for IAIGs.</u>	Clarifying that the ICS monitoring period has been concluded and that the ICS is now the PCR for IAIGs. Linking the ICPs and ComFrame standards to the ICS as these must be read and applied concurrently in respect of IAIGs.  Builds on the revised text of ICP 17 and related ComFrame text also planned for adoption in December 2024.
CF 25.6.c	The members of the IAIG's supervisory college discuss and assess a summary of <del>the reference</del> <u>its ICS results</u> prepared by the group-wide supervisor, <del>as well as a summary of any additional reporting related to the ICS that has been reported at the option of the group-wide supervisor.</del>	Clarifying, linking and giving effect to ICS Principles 1, 5 and 9 (see explanation at CF 9.4.a).
CF 25.6.c.1	<del>The assessment of the reference ICS and, if applicable, any additional reporting should include:</del>	No longer required. Redundant / superfluous.

# ICS related amendments to ComFrame

Reference <sup>1</sup>	Proposed amendment [underlined text shows insertions and strikethrough text shows deletions]	Explanation and link to ICS Principles
	<ul style="list-style-type: none"><li><del>a comparison with existing group capital standards or calculations that are in development;</del></li><li><del>the extent to which material risks of the IAIG are captured;</del></li><li><del>the appropriateness and practicality of the calculations required;</del></li><li><del>and</del></li></ul> <del>any difficulties in implementing the measure by the IAIG.</del>	
CF 25.6.c.2	<del>The purpose of the supervisory college discussing and assessing the summary of the reference ICS, and of any additional reporting, is to help refine the ICS.</del>	No longer required. Redundant / superfluous.



Q&As





# Thank you

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