



# International Association of Insurance Supervisors Key Meetings and Projects

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Federal Insurance Office

**Presentation to the Federal Advisory Committee on Insurance  
June 1, 2023**

- ▶ Recent and upcoming meetings and activities of the International Association of Insurance Supervisors (IAIS)
- ▶ Key Projects include:
  - Insurance Capital Standard (ICS)
  - Aggregation Method (AM) Comparability Assessment
  - Climate
  - Diversity, Equity & Inclusion (DEI)
  - Macroprudential / Global Monitoring
  - Resolution
  - Cyber Risk, IT/Third-Party Outsourcing, and Operational Risk
  - Strategic Plan

# IAIS Meetings and Activities – Upcoming



- ▶ **June 12-14:** ExCo and other Parent Committee Meetings. Anticipated topics include:
  - Continued development of the IAIS 2025-2029 Strategic Plan.
  - Macroprudential Policy Committee (MPC) and the Executive Committee (ExCo) will consider the first outcomes of this year's GME data collections and MPC activities and discuss the scope of its collective discussion.
  - Proposed IAIS public consultations in June:
    - Candidate ICS as a prescribed capital requirement (PCR)
    - ICS Economic Impact Assessment
    - Revised Insurance Core Principles (ICPs) on Valuation (ICP 14) and Capital Adequacy (ICP 17).
- ▶ **June 15-16:** Global Seminar
  - Agenda topics include: insurtech; climate risk and supervisory practices; 2025-2029 Strategic Plan; emerging risks; natural catastrophe protection gaps; and the ICS
- ▶ **June 21:** Chief Risk Officer Roundtable
- ▶ **September 20-22:** MPC collective discussion and ExCo Strategic Retreat
- ▶ **November 6-10:** ExCo and Parent Committee Meetings, Annual General Meeting, and Annual Conference

- ▶ **January 27:** Held virtual stakeholder event on scope of the ICS Economic Impact Assessment.
- ▶ **January 30:** Hosted ICS Global Roundtable of Supervisors to solicit views from groupwide supervisors on their experience and views on the performance of the reference ICS.
- ▶ **February 9:** Held stakeholder session on the IAIS's work on DEI in the insurance industry
- ▶ **February 13:** Published for consultation Issues Paper on roles and functioning of Policyholder Protection Schemes.
- ▶ **March 6-8:** Held Executive Committee (ExCo) and other parent committee meetings
- ▶ **March 9:** Following a public consultation, published final criteria that will be used to assess whether the AM provides comparable outcomes to the ICS
- ▶ **March 16:** Launched consultation on climate risk related amendments to Insurance Core Principles (ICP) Introduction and supporting material for ICP 7 (Corporate Governance) and ICP 8 (Risk Management and Internal Controls)
- ▶ **April 4:** Published report assessing implementation of the Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector in ten major markets
- ▶ **April 21:** Published Global Insurance Market Report (GIMAR) special topic on cyber risk
- ▶ **April 28:** Published statement affirming IAIS's commitment to support insurance supervisors' actions to address natural catastrophe protection gaps.

## To Date in 2023

- ICS confidential reporting package released in April, with submission deadline of August 31.
- IAIS collecting data in 2023 on (1) reference ICS and (2) candidate ICS as a PCR.
- ICS volunteer virtual workshop held on May 9 to launch the 2023 data collection exercises.

## Later in 2023

- Stakeholder session scheduled for June 16 at the Global Seminar in Seattle.
  - IAIS to provide update on the ICS work; and
  - Panel discussion on the public consultation of the candidate ICS as a PCR and the ICS Economic Impact Assessment.
- Following Seattle committee meetings, the IAIS to release public consultations on:
  - Proposed changes to ICP 14 (Valuation) and ICP 17 (Capital Adequacy) to reflect the changes made to date to the ICS framework; and
  - Potential design of the candidate ICS as a PCR, including consultation on the ICS Economic Impact Assessment.

## Background

- The IAIS aims to be in a position by the end of the monitoring period to assess whether the AM provides comparable outcomes to the ICS. If so, the AM will be considered an outcome-equivalent approach for implementation of the ICS as a PCR.
- In May 2021, the IAIS published the final definition of comparable outcomes and high-level principles, governing the development of the criteria to be used in the comparability assessment.
- FIO continues to work closely with the Federal Reserve Board, the U.S. states, and the National Association of Insurance Commissioners (NAIC) in bringing about a meaningful comparability assessment.

## Status

- After a public consultation and additional stakeholder feedback in 2022, the IAIS finalized the criteria that will be used to assess whether the AM produces comparable outcomes to the ICS.
- The AM data collection was released on April 28, 2023, including data needs for the upcoming comparability assessment.
- The IAIS held a virtual AM volunteer launch workshop on May 11, 2023.
- The AM comparability assessment is scheduled to take place in Q3 2023 concurrently with the public consultation of the candidate ICS as a PCR.



- **What are your views on the progress of the ICS and/or AM comparability work at the IAIS?**
- **Should the IAIS consider additional stakeholder engagement in 2023? If yes, when and in what form?**
- **What are your views on the transparency of the AM comparability work?**

## Background

- Together with the Sustainable Insurance Forum, IAIS has published:
  - 2018: *Issues Paper on Climate Change Risks to the Insurance Sector*
  - 2020: *Issues Paper on the Implementation of the Recommendations of the FSB Taskforce on Climate-related Disclosures (TCFD)*
  - 2021: *Application Paper on the Supervision of Climate-related Risks in the Insurance Sector*
- 2021: IAIS launched its Climate Risk Steering Group to coordinate its climate risk work.
- September 2021: GIMAR special topic edition on the insurance sector's investment exposures to climate-related risks provided first quantitative global study on the topic.
- 2022: IAIS added more climate data elements to the Global Monitoring Exercise (GME).
- 2022: Performed gap analysis of existing IAIS supervisory material to assess how climate risk is already captured and to identify potentially further work on standard-setting and guidance on supervisory practices.

## Status

- Added additional refinements and data elements to the 2023 GME.
- Issued in March 2023 a public consultation on climate risk related amendments to Insurance Core Principles (ICP) Introduction and supporting material for ICP 7 (Corporate Governance) and ICP 8 (Risk Management and Internal Controls)
- Subsequent climate-risk related consultations will include scenario analysis and market conduct related topics.





- **What are your views on the progress of the work on climate-related risk at the IAIS?**
- **Do you have suggestions on issues to explore in future consultations to improve the usability of the climate risk related Issue and Application Papers?**

## Background

- December 2022: IAIS published stock-take report on actions that IAIS member supervisors, other international organizations, and the insurance industry are taking to advance DEI in the insurance sector. This stock-take was a first step to inform further IAIS work to promote DEI in insurers' governance and conduct of business.

## Status

- February 2023: IAIS hosted a stakeholder session on the findings from the DEI stock-take and provided an overview of future work.
- IAIS plans to continue work to help insurance supervisors further understand the benefits of DEI, the connection between promoting DEI and their supervisory mandates and the range of available supervisory practices to promote DEI.
- Main foci of future DEI work:
  - 1) The link between DEI within insurers' own governance, risk management and corporate culture
  - 2) How DEI considerations in insurers' conduct of business, and their supervision, may result in fairer treatment of consumers who are vulnerable, under-served, or have specific needs.



- **What are your views on the progress of the DEI work at the IAIS?**
- **What are your views on how the IAIS can further explore the issue of DEI in its projects going forward?**

## Background

- The IAIS's annual GME aims to detect key risks and trends and the potential build-up of systemic risk in the global insurance sector, including a discussion among IAIS members on the outcomes of the analysis and the appropriate supervisory responses. It covers:
  - Sector-Wide Monitoring (SWM): Potential systemic risk arising from sector-wide trends with regard to specific activities and exposures
  - Individual Insurer Monitoring (IIM): Possible concentration of systemic risks at an individual insurer level arising from these activities and exposures.
- The key outcomes of the GME and the IAIS's collective discussion on the analysis and supervisory responses are shared with the FSB and included in the IAIS's annual GIMAR.

## Status

- Before the March launch of the 2023 GME, the IAIS further refined and enhanced the data collection on climate-related risk and cyber risk
- The IAIS is concluding a review of the IIM assessment methodology (as part of a three-year cycle), taking into account the outcomes of the recent public consultation.
- The liquidity metrics as an ancillary indicator continue as part of the IIM and GME process.
- Further ancillary indicators are being explored for development in 2023, notably on credit risk, cyber risk, and climate-related risk.

## Background

- Through the 2022 GME process and as reported in the 2022 GIMAR, the IAIS identified three macroprudential themes based on supervisory priorities identified by members in the annual SWM:
  - (1) lower macroeconomic outlook, high inflation and rising interest rates
  - (2) structural shifts in the life insurance sector, including the involvement of private equity
  - (3) climate-related risks

## Status

- This year, the IAIS is continuing this work through additional monitoring and analysis of market trends and supervisory responses related to the following three topics:
  1. The impact of high inflation and rapidly-tightening interest rates on the insurance sector, particularly with respect to credit risk and liquidity risk
  2. Structural shifts in the life insurance sector, including the involvement of private equity. This will include a deep dive on related activities, such as increased cross-border reinsurance
  3. Changes in asset allocation towards more complex, illiquid investments.

# Questions for FOCI Members on IAIS Macroprudential Work



- **What are your views on the progress of the macroprudential work at the IAIS?**
- **What are your views on last year's risk themes and how they have advanced to additional work this year?**
- **What are your thoughts on potential macroprudential risk themes for discussion this year?**

## Background

- The Resolution Working Group (ReWG) at the IAIS addresses matters relating to resolution of insurers that includes developing and maintaining supervisory materials on insurance resolution, dealing with all standard-setting matters regarding resolution initiated by FSB, and representing the IAIS at relevant working parties within the FSB, such as Steering Group on Resolution (ReSG) and insurance Cross-border Crisis Management (iCBCM) group.
- The iCBCM works under the direction of the FSB's ReSG and in coordination with the IAIS ReWG, to develop guidance for resolution powers and tools regarding G Global Systemically Important Insurers (G-SIIs) as well as addressing issues relating to their application. Both FIO and the Federal Reserve are members of the iCBCM.

## Status

- Throughout 2022, the ReSG, through the iCBCM and in consultation with the IAIS, examined possible ways to ensure monitoring of effective application of the resolution planning standards if the identification of G-SIIs is discontinued and replaced by the Holistic Framework.
- In January 2022, the iCBCM published Practices Papers on interconnectedness as it affects resolution planning, and the identification of funding sources in resolution; these were followed by a technical workshop on these topics for industry and authorities in July 2022.



- **Do FOCI members have any views on the progress of the resolution work at the IAIS?**



# IAIS Work on Cyber Risk, IT Third-Party Outsourcing, and Operational Risk



## Background

- 2021: The IAIS committed to:
  - 1) Developing supervisory supporting guidance and material in the field of operational resilience, specifically on information technology (IT) third-party outsourcing and insurance sector cyber resilience and
  - 2) Directing the Operational Resilience Task Force to look at integrating lessons on ensuring business continuity (over an extended period) into supervisory guidance.
- The IAIS has actively engaged in the work of the Financial Stability Board (FSB) on cyber resilience:
  - Participates in the FSB's Cyber Incident Reporting Working Group.
  - Provided input into the FSB's work on outsourcing and third-party relationships.

## Status

- April 2023: Published a GIMAR special topic on cyber risks containing an analysis of the risks and trends associated with cyber insurance coverage, cyber resilience in the insurance sector, and the potential impact these risks on financial stability.
- In May 2023, the IAIS published an Issues Paper on Insurance Sector Operational Resilience. The objective of the paper was to identify issues that impact operational resilience in the insurance sector and to provide examples of how supervisors are approaching these developments, considering lessons learned during the Covid-19 pandemic.

# Questions for FOCI Members on IAIS Cyber Risk, IT Third-Party Outsourcing, Operational Risk Work



- **What are your views on the progress of the cyber and operational risk work at the IAIS?**
- **How might the IAIS advance its operational resilience work in a manner unique to the insurance sector?**



- In April, the FACI International Subcommittee met to discuss the IAIS’s strategic themes, as the IAIS develops the next 5-year work plan. This input was requested to help inform FIO in its response to the IAIS on the priorities that should be considered in the work ahead.
- Subcommittee members were asked for their views on how the IAIS should prioritize each of its cross-cutting strategic themes:
  - 1) Climate risk,
  - 2) Conduct and culture,
  - 3) Digital transformation,
  - 4) Diversity, equity and inclusion,
  - 5) Financial inclusion, and
  - 6) Operational resilience and cyber risk.
- FACI subcommittee members were in broad agreement with the IAIS’s strategic themes, also highlighting the need for work in the area of protection gaps.