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IAIS adopts first global frameworks for supervision of internationally active insurance groups and mitigation of systemic risk in the insurance sector

Basel – The International Association of Insurance Supervisors (IAIS) today adopted a comprehensive set of reforms that will enable effective cross-border supervision of insurance groups and contribute to global financial stability. These significant achievements were made possible by a shared commitment from the world’s insurance supervisors to the maintenance of fair, safe and stable insurance markets for the benefit and protection of policyholders.

The adopted reforms include:

- The **Common Framework (ComFrame)** establishes supervisory standards and guidance focusing on the effective group-wide supervision of Internationally Active Insurance Groups (IAIGs). ComFrame is a comprehensive and outcome-focused framework that provides supervisory minimum requirements tailored to the international activity and size of IAIGs. ComFrame will provide supervisors with a common language for the supervision of IAIGs. The implementation of ComFrame should result in more efficient supervisory processes, for the benefit of both supervisors and IAIGs. ComFrame builds on the revised set of Insurance Core Principles (ICPs), that are applicable to the supervision of all insurers, and which were adopted after extensive review.
- The **Insurance Capital Standard (ICS)** is being developed with the purpose of creating a common language for supervisory discussions of group solvency of IAIGs to enhance global convergence among group capital standards. The newly agreed ICS Version 2.0 for the five-year monitoring period, starting in January 2020, was developed through a structured and evidence-based approach, which included six quantitative Field Testing exercises over the course of 2014 to 2019, extensive stakeholder engagement and comprehensive discussion among IAIS Members. During the monitoring period, ICS Version 2.0 will not trigger any supervisory action but will be used for confidential reporting and discussion in supervisory colleges to provide feedback to the IAIS on the ICS design and performance. The IAIS has agreed to a detailed plan for the operationalisation of the monitoring period, including a workplan and timeline for the period 2020-2024 and a collective effort to make participation by IAIGs in the monitoring period as large as possible across different jurisdictions and business models. Feedback from supervisors, ongoing data analysis, public consultations and an economic impact assessment during the monitoring period will aid the further refinement of the ICS prior to its implementation as a group-wide prescribed capital requirement (PCR).

At the same time, the IAIS agreed on a definition of comparable outcomes and an overarching approach for the development of criteria to assess whether the Aggregation Method (AM), being developed by the United States and other interested jurisdictions, provides comparable outcomes, ie substantially the same, to the ICS. The assessment will take place according to the timeline published today and if the AM is deemed to provide

comparable outcomes to the ICS, it will be considered an outcome-equivalent approach for implementation of ICS as a PCR.

- Lastly, in delivering its commitment to contribute to global financial stability, the IAIS adopted the **Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector**, for implementation from the beginning of 2020. This framework recognises that systemic risk can arise both from sector-wide trends with regard to specific activities and exposures, as well as from a concentration of these activities and exposures in individual insurers. The Holistic Framework consists of an enhanced set of supervisory policy measures and powers of intervention, an annual IAIS global monitoring exercise and collective discussion on the outcomes and appropriate supervisory responses, and a robust implementation assessment.

In recognition of the fact that the Holistic Framework, consistently implemented, provides an enhanced approach to assessing and mitigating systemic risk in the global insurance sector, the FSB has decided to suspend the identification of global systemically important insurers (G-SIIs) from 2020. In November 2022, the FSB will, based on the initial years of implementation of the Holistic Framework, review the need to either discontinue or re-establish an annual identification of G-SIIs.

“This has been a week of major achievements for the IAIS”, stated Victoria Saporta, IAIS Executive Committee Chair at its Annual General Meeting in Abu Dhabi. “The reforms adopted by our Members mark a big step forward as a global community of supervisors in the pursuit of our mission to support the stability and sustainability of the insurance sector, protect policyholders and promote global financial stability.”