

Changes Affecting the Insurance Sector



**Peter Braumüller
Chairman of the IAIS Executive Committee**

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New international financial regulatory landscape

Financial Stability Board

- *Increased influence over the global regulatory agenda*
- *Stronger role in coordinating global standard setting and implementation*

Systemic risk authorities

- *Paradigm shift towards macro-surveillance and supervision*



Political fora (G20)

- *Stronger political push for reform*
- *Shaping the new financial regulatory world*

International standard setters

- *Increased expectation to deliver more timely responses*
- *Stronger call for globally consistent regulation and implementation*



IAIS response to challenges for insurance supervisors (1)

Challenges	IAIS response
<ul style="list-style-type: none">• Further improving effectiveness of insurance supervision globally	<ul style="list-style-type: none">• ICPs and standards revision• FSB recommendations on supervisory intensity and effectiveness are taken into account in the ICP review process• IAIS approach much broader than just on systemic risk and SIFIs
<ul style="list-style-type: none">• Strengthening international supervisory cooperation	<ul style="list-style-type: none">• Intensifying efforts to expand the number of IAIS MMoU Signatories.• Reviewing ICPs and existing standards on supervisory cooperation and coordination.• Timely standard setting response – guidance paper on supervisory colleges and group-wide supervisor.



IAIS response to challenges for insurance supervisors (2)

Challenges

- Strengthening group-wide supervision and minimising cross-sectoral regulatory arbitrage
- Enhancing standard implementation activities and minimising cross-border regulatory arbitrage

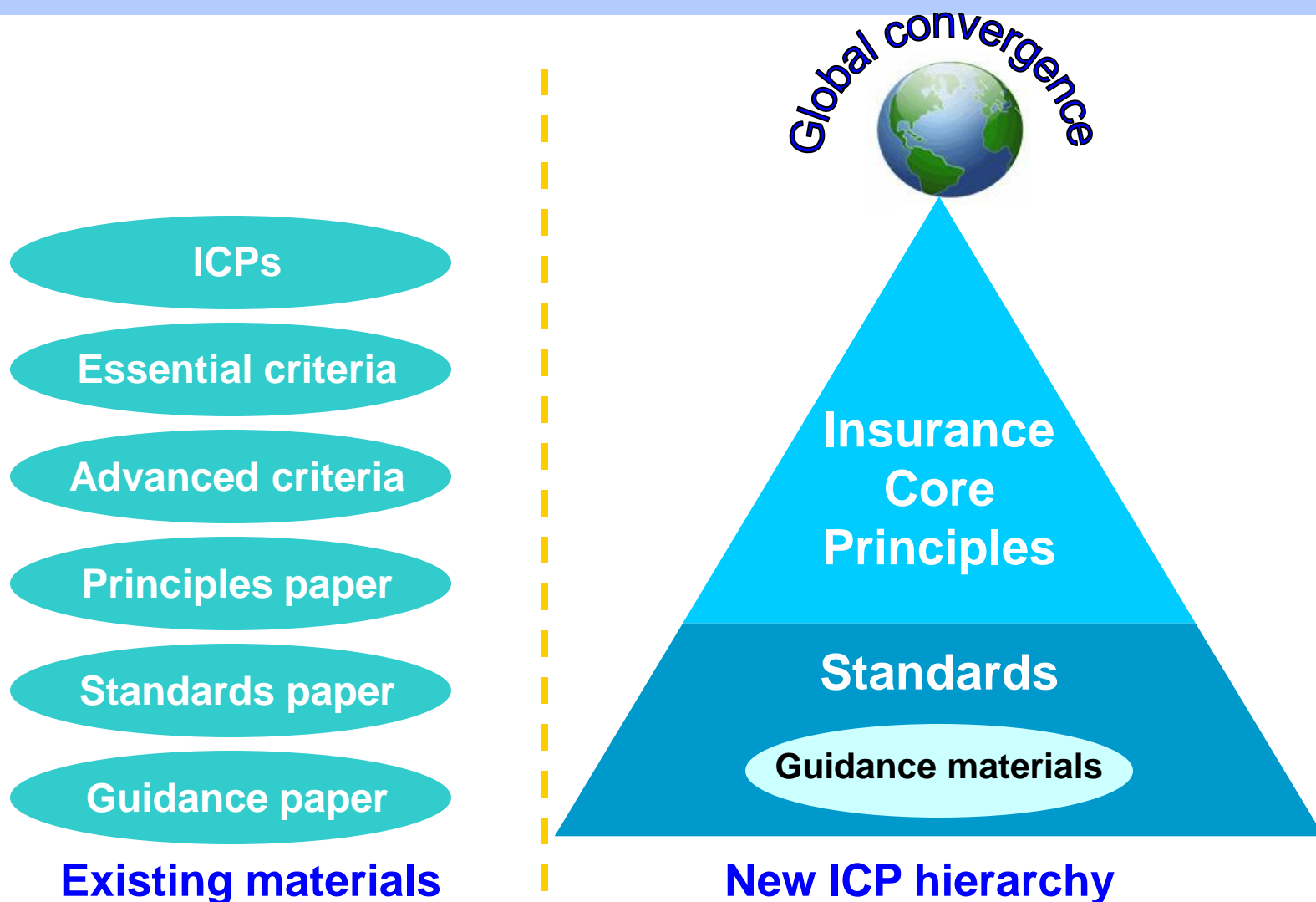


IAIS response to challenges for insurance supervisors (3)

Challenges	IAIS response
<ul style="list-style-type: none">Improving macro-prudential surveillance and supervision	<ul style="list-style-type: none">Setting-up a macro-prudential surveillance frameworkIncorporating macro-prudential aspects in the Insurance Core Principles (new ICP 24 <i>Macro-prudential supervision and analysis</i>) .Setting up Macro-prudential Policy and Surveillance Working Group
<ul style="list-style-type: none">Defining systemic risk in the context of insurance and define appropriate measures for SII	<ul style="list-style-type: none">Developing methodology to assess systemic relevance in insuranceDevelop adequate measures to deal with identified SII
<ul style="list-style-type: none">Supporting sound compensation/remuneration practices	<ul style="list-style-type: none">Finalised standard and guidance on remuneration



ICP review to establish a comprehensive and coherent framework





Proposed new ICP hierarchy

Insurance Core Principles

- The **essential elements** that must be present in the supervisory regime in order to promote a financially sound insurance sector and provide an adequate level of consumer protection
- Should be **adhered to by all insurance supervisors**, regardless of the level of development of their insurance markets, and the type of insurance products or services being supervised
- Basis from which standards are developed

Standards

- **High-level requirements** that are fundamental to the implementation of the insurance core principles and should be met for a supervisory authority to demonstrate observance with the core principles
- Written as **obligations of the supervisor**
- Linked to specific ICPs

Guidance

- **Supports the core principles and/or standards** and provides detail regarding how to comply with or implement a core principle or a standard
- **Does not set out new requirements** but rather describe what is meant by the requirement
- Often **provide examples** of possible ways of implementing the requirements



Common Framework for the Supervision Of Internationally Active Insurance Groups (ComFrame)

OBJECTIVES OF COMFRAME

**Effective
supervision of
IAIGs**

**Comprehensive
framework**

**Global
convergence**

Multilateral tool; specific but not rules-based

Module 1

**Scope of
application**

Module 2

**Group structure
and business**

Module 3

**Quantitative &
qualitative
requirements**

Module 4

**Supervisory
cooperation
and interaction**

Module 5

**Jurisdictional
matters**



Strengthening cross-border cooperation through the IAIS MMoU – list of signatories

Jun 2009

Oct 2009

Feb 2010

Jun 2010

Oct 2010

Nov 2010



BERMUDA



AUSTRALIA



AUSTRIA



MEXICO



Dubai



Guernsey



**CHINESE
TAIPEI**



FRANCE



ROMANIA



SINGAPORE



Jersey



GERMANY



**THE
NETHERLANDS**



Malta



Possible impact on pension supervision

- Improvement and strengthening of ICPs => cross-sector consistency where appropriate (in particular supervisory authority, objectives of supervision, tools etc)
- Increased macro-prudential supervision could be beneficial for pension supervision as well
- At present, discussion on systemic risk seems less relevant for pensions (but depending on the respective national system)
- Enhanced standard implementation efforts (self-assessment, peer reviews, FSAPs) will certainly have impact on the pension sector



Thank you for your attention.



iais@bis.org
www.iaisweb.org