Post-Crisis Regulatory Reform Agenda: What it means for Developing Countries

George Brady
IAIS Deputy Secretary General
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Overview

IAIS Post-Crisis Regulatory Reform Agenda: What it means for Developing Countries

We’ll look at
- What we’ve done:
  - Revised Core Principles
  - Work on “systemic risk”
  - More specific standards (capital, governance, groups)
- What it means for LICs:
  ✓ Greater focus on home-host, cooperation
  ✓ Wider array of tools
  ✓ Expanded implementation activities
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IAIS Background

• Established in 1994

• Members from over 200 supervisory authorities

• Develop and assist in the implementation of global principles, standards, and other supporting material for insurance supervision

• Forum for Members to share their experiences and understanding of insurance supervision
Mission

• The IAIS’ mission 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

  ▪ Contribute to global financial stability
IAIS Post-Crisis Reform Agenda

• **Strengthened Insurance Core Principles (ICP)**
  - Especially governance, risk management, group-wide supervision

• **Globally Systemically Important Insurers (G-SIIs)**
  - Part of global effort to end Too Big To Fail
  - Policy Measures to strengthening supervision, improve resolution and crisis management, and build higher loss absorbency
  - Focus on non-traditional, non-insurance activities (NTNI)

• **ComFrame (Common Framework for the Supervision of Internationally Active Insurance Groups (IAIG))**
  - Contains **quantitative** and **qualitative** elements for identification and ongoing supervision of IAIGs
  - Relevant for home and host supervisors

• **Capital Requirements for Insurers**
  - G-SIIs: Basic Capital Requirement (BCR) / Higher Loss Absorbency (HLA)
  - IAIGs: Global risk-based Insurance Capital Standard (ICS)
IAIS Post-Crisis Reform Agenda: Impact on LICs

- **Insurance Core Principles**
  - Updated, clearer high-level standards
  - Implementation framework: assessment, capacity building

- **Globally Systemically Important Insurers (G-SIIs)**
  - First look at insurance in “systemic” context (esp. NTNI)
  - Insurance-specific guidance on resolution and crisis management, higher loss absorbency
  - Systemic framework – applicable regionally?

- **ComFrame (IAIGs)**
  - Applies to international groups growing presence in LICs
  - Focus on group-wide supervision, home-host issues
  - Emphasis on supervisory cooperation/ Colleges

- **Global Insurance Capital Standards**
  - Better management of capital requirements for global insurers
  - Basis for capital standards for LICs? (BCR)
Strategic Context for Implementation

• Support for Member observance of IAIS standards
  ▪ Proportionality – “nature, scale & complexity”
  ▪ Enhancing supervisory practices
  ▪ Commitment to assessment, capacity building, partnerships

• Coordinated Implementation Framework guides approach:
  ▪ Regional engagement
  ▪ IAIS unique perspective
  ▪ Key implementation partners
  ▪ Coordination with standard setting, financial stability activities
Key Activities (1)

Regional Engagement
- Support for development of Regional Implementation Plans
- Work through regional associations (e.g., Sub-Sahara Africa, CIMA)

Unique Offering
- Assessing Observance and Supervisory Needs
  - Assessment / Peer Review of Members’ observance of supervisory material
  - Surveying capacity-building needs of supervisors
- Developing application guidance
  - Conduct of business in inclusive insurance markets
  - Issues in index based insurance
  - Proportional approaches to actuarial services
  - Takaful / Microtakaful
- Enhancing supervisory cooperation and information exchange
  - Multilateral Memorandum of Understanding (MMoU)
  - Guidance on supervisory colleges
Key Activities (2)

Implementation Partners

- **Access to Insurance Initiative (A2ii)**
  - Key partner for financial inclusion; fosters peer-to-peer exchange, develops learning tools (eg, proportionality in practice case studies, regional plans); host and organize regional events

- **Development Banks / IFIs**
  - Developing tools (World Bank: Core Curriculum, Supervisory Guide), training programmes, capacity building (FIRST: MENA, CIMA projects)

- **Financial Stability Institute (FSI)**
  - On-line learning tools (FSI Connect, FIRST ONE)
  - Insurance seminars

Integration with Standard-Setting, Financial Stability Activities

- Input on global / regional observance and key challenges
- Feedback from implementation activities / partners / assessments and other diagnostic tools
Opportunities for Collaboration with FIRST

Building off IAIS assessment tools
• IAIS assessments can help identify needs / gaps / challenges
• Integrate diagnostics, activities of A2ii

Building off FIRST learnings
• Understand what works / doesn’t from FIRST Projects
• Incorporate findings / learnings into Peer-to-Peer exchanges

Availability of funds for insurance capacity building
• Support to address developments in insurance (distribution models, regulatory perimeter, index based insurance)
Thank you for your attention

Contact:
george.brady@bis.org
www.iaisweb.org
Contact Details

Thank you for your attention

Feedback is welcome at any time

gorge.brady@bis.org

www.iaisweb.org