

IAIS Insurance Core Principles



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International Association of Insurance Supervisors (IAIS)



IAIS Insurance Core Principles

1. Overview of IAIS activities
2. Insurance Core Principles (ICPs)
3. Assessment
4. Standard Implementation Activities



1. Overview of IAIS activities

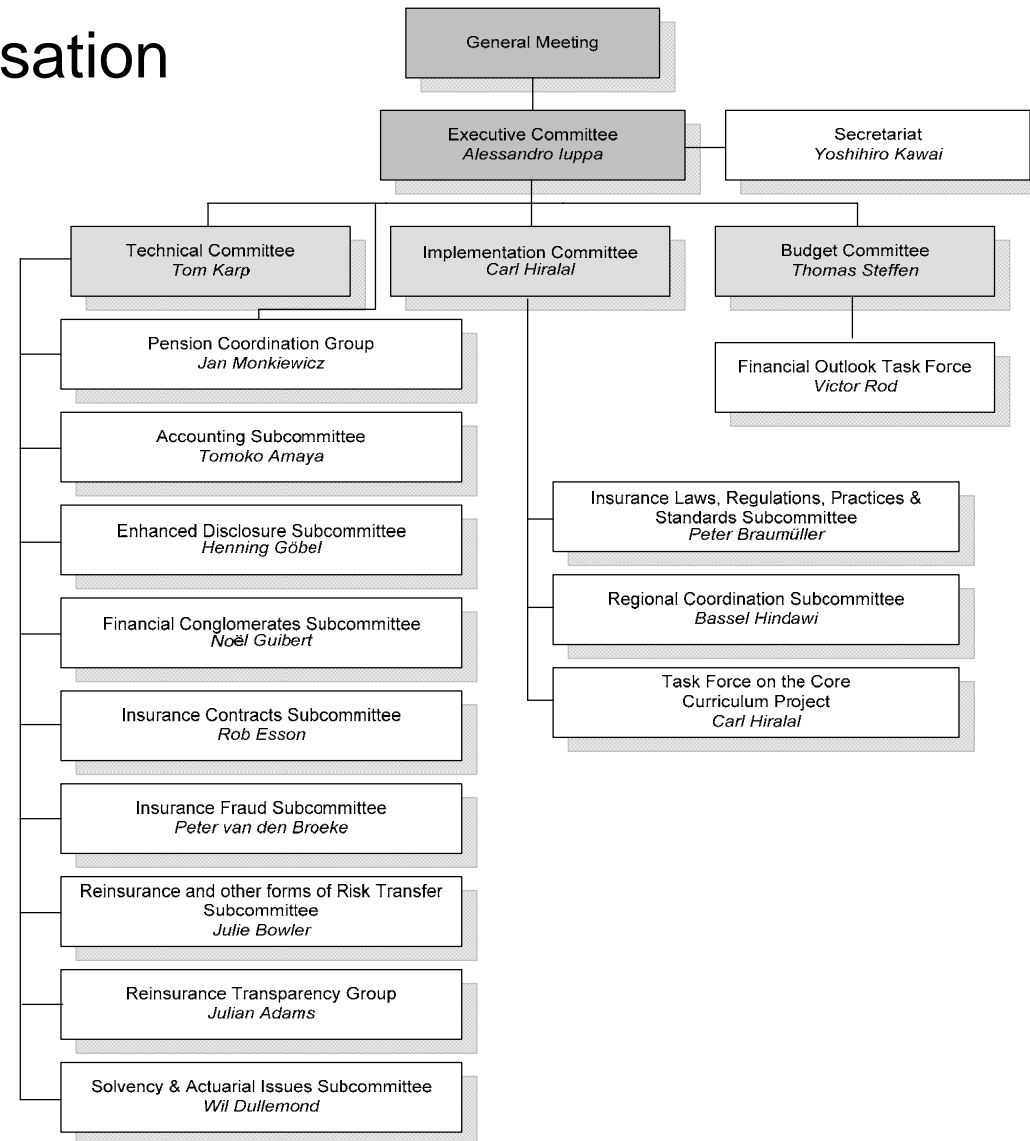
- IAIS Objectives:
 - To contribute to improved supervision to maintain efficient, fair, safe and stable insurance markets for the benefit and protection of policyholders
 - To promote development of well-regulated and supervised insurance markets
 - To contribute to global financial stability





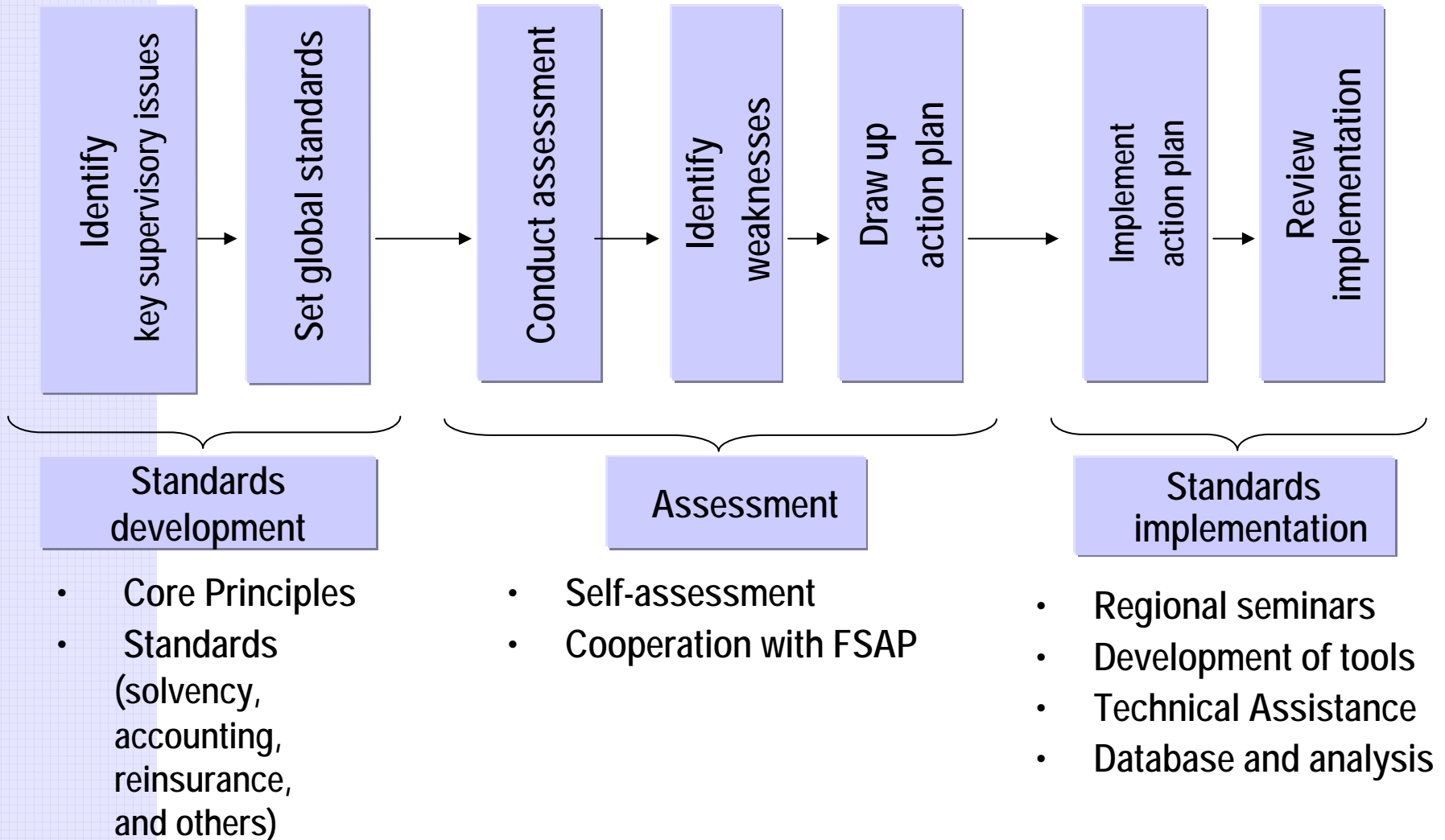
1. Overview of IAIS activities

- Organisation





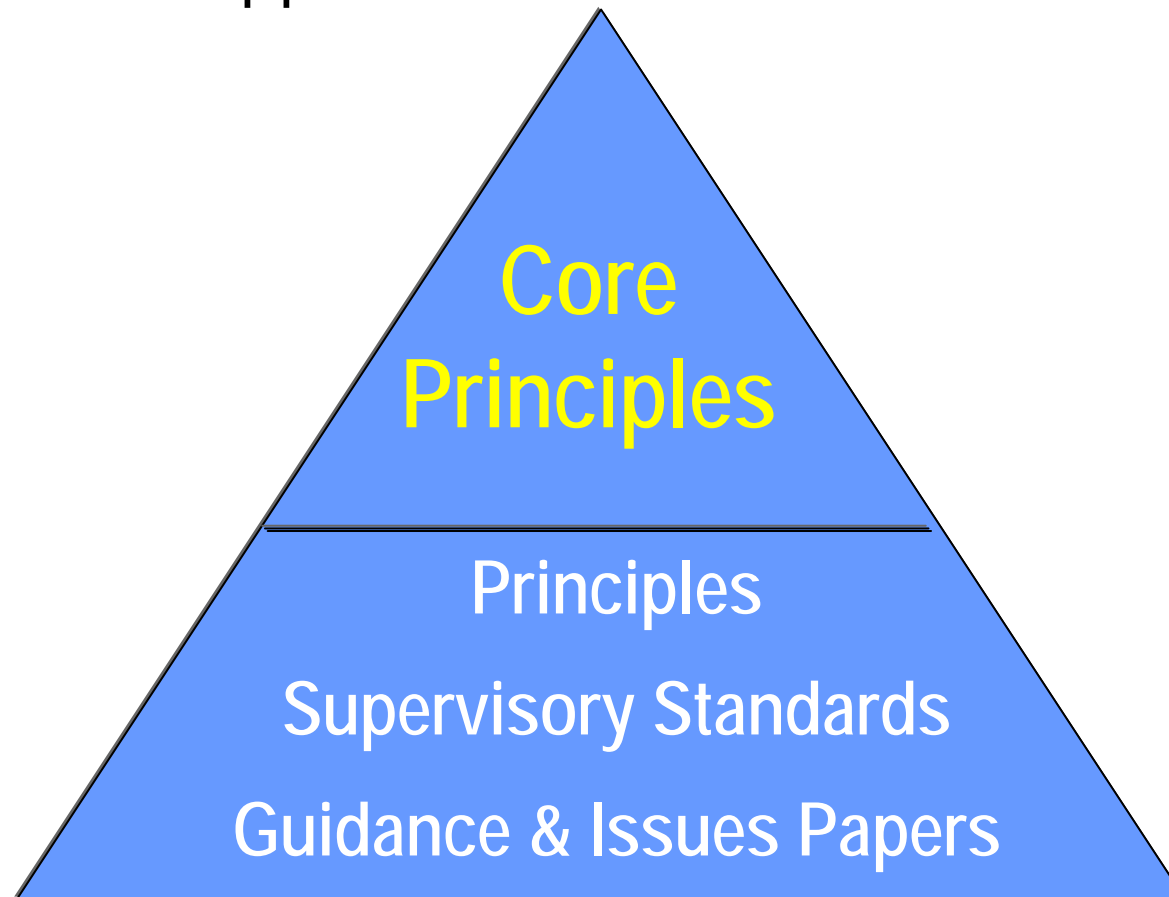
1. Overview of IAIS activities





2. Insurance Core Principles (ICPs)

- Two tier approach





2. Insurance Core Principles (ICPs)

Objectives of ICPs

- Provide a framework for the regulation and supervision of the insurance sector
- Serve as a benchmark for insurance supervision
 - when establishing a supervisory regime
 - used for identifying areas in existing regimes that need to be improved
 - compliance assessed by the IMF and the World Bank (FSAP)



2. Insurance Core Principles (ICPs)

- ICPs apply to the supervision of insurers and reinsurers
- 28 Insurance Core Principles
 1. Introduction
 2. Conditions
 3. The supervisory system
 4. The supervised entity
 5. On-going supervision
 6. Prudential requirements
 7. Markets and consumers
 8. AML/CFT



2. Insurance Core Principles (ICPs)

Contents	ICPs
1. Introduction	Reason for supervision Scope & coverage of ICPs Implementation and assessment
2. Conditions	ICP 1: Conditions for effective insurance supervision
3. The supervisory system	ICP 2: Supervisory objectives
	ICP 3: Supervisory authority
	ICP 4: Supervisory process
	ICP 5: Supervisory cooperation and information sharing



2. Insurance Core Principles (ICPs)

Contents	ICPs
4. The supervised entity	ICP 6: Licensing
	ICP 7: Suitability of persons
	ICP 8: Changes in control and portfolio transfers
	ICP 9: Corporate governance
	ICP 10: Internal control



2. Insurance Core Principles (ICPs)

Contents	ICPs
5. On-going supervision	ICP 11: Market analysis
	ICP 12: Reporting to supervisors and off-site monitoring
	ICP 13: On-site inspection
	ICP 14: Preventive and corrective measures
	ICP 15: Enforcement or sanctions
	ICP 16: Winding-up or exit from the market
	ICP 17: Group-wide supervision



2. Insurance Core Principles (ICPs)

Contents	ICPs
6. Prudential requirements	ICP 18: Risk assessment and management
	ICP 19: Insurance activity
	ICP 20: Liabilities
	ICP 21: Investments
	ICP 22: Derivatives and similar commitments
	ICP 23: Capital adequacy and solvency

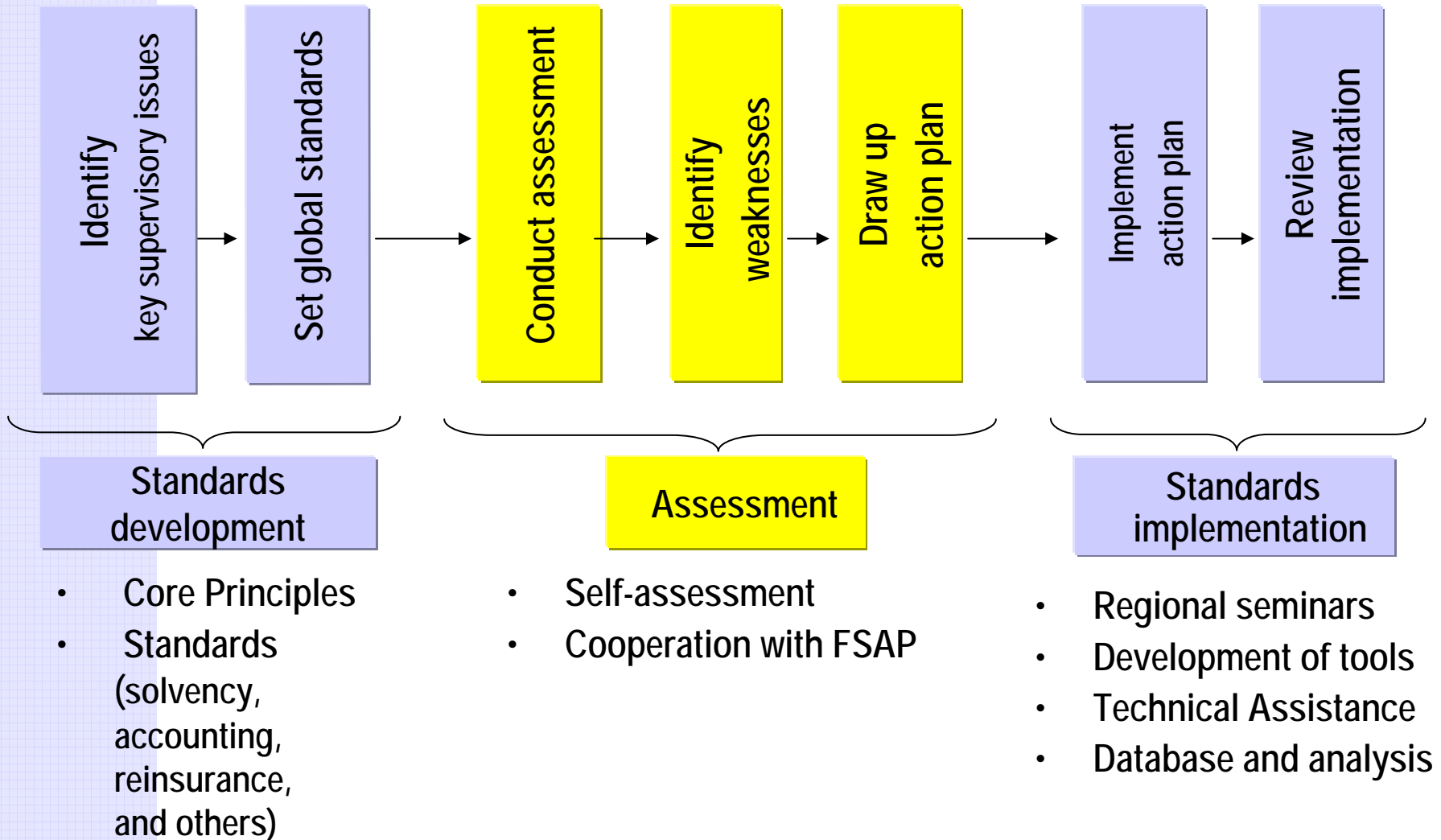


2. Insurance Core Principles (ICPs)

Contents	ICPs
7. Markets and consumers	ICP 24: Intermediaries
	ICP 25: Consumer protection
	ICP 26: Information, disclosure & transparency towards the market
	ICP 27: Fraud
8. AML/CFT	ICP 28: Anti-money laundering, combating the financing of terrorism
Annex 1	References to other IAIS principles, standards and papers
Annex 2	Assessment methodology



3. Assessment





3. Assessment

Assessment Methodology

1) Essential criteria

- Intrinsic to the implementation of the core principle
- All the essential elements should be implemented in form and in practice to demonstrate “observed” status



3. Assessment

2) Advanced criteria

- Considered for improvement and enhancement of the supervisory regime
- **Not** used for assessing observance with a principle
- But used when making comments and recommendations





3. Assessment

Criteria assessed using five categories:

- 1) Observed (O):
 - All essential criteria are observed
- 2) Largely observed (LO):
 - Only minor shortcomings exist
- 3) Partly observed (PO):
 - Despite progress, shortcomings are sufficient to raise doubts
- 4) Not observed (NO):
 - No substantive progress
- 5) Not applicable (NA):
 - Not applicable given the structural, legal and institutional features
 - Responsibility of other authorities



3. Assessment

The assessment should cover:

- Not only the existence of the legal basis or supervisory powers and measures
- But also the enforcement and implementation





3. Assessment

Self-assessment exercise 2004/2005

- The second self-assessment program distributed to all IAIS members in July 2004
- 58 jurisdictions participated
- Main purpose is to give members the opportunity to
 - Assess the framework of regulation and supervision in their jurisdiction
 - Identify strengths and weaknesses
 - Develop action plan



3. Assessment

Self-assessment exercise 2004/2005 (cont.)

- Knowledge of ICPs including EC and AC is broaden within the supervisory authority
- In-depth analysis of domestic legislation on a structured and comprehensive basis
- Detect weaknesses at an early stage
- Take timely measures to improve the supervision system
- Report issued in February 2006
- Results of individual jurisdictions available on IAIS members website by permission



3. Assessment

Self-assessment exercise 2004/2005 (cont.)

- The most observed ICPs are:
 - ICP2 Supervisory objectives
 - ICP14 Preventive and corrective measures
 - ICP16 Winding-up and exit from the market





3. Assessment

Self-assessment exercise 2004/2005 (cont.)

- The least observed ICPs are:
 - ICP9 Corporate Governance
 - ICP17 Group-wide supervision
 - ICP18 Risk assessment and management
 - ICP22 Derivatives and similar commitments
 - ICP25 Consumer protection
 - ICP27 Fraud



3. Assessment

Financial Sector Assessment Program

- Joint IMF/World Bank initiative
- Started in 1999
- A comprehensive assessment of financial systems
- Objective: To achieve an integrated analysis of stability and development including
 - Macroprudential analysis
 - Analysis of financial sector structure
 - Assessment of observance of international standards
 - Analysis of specific issues



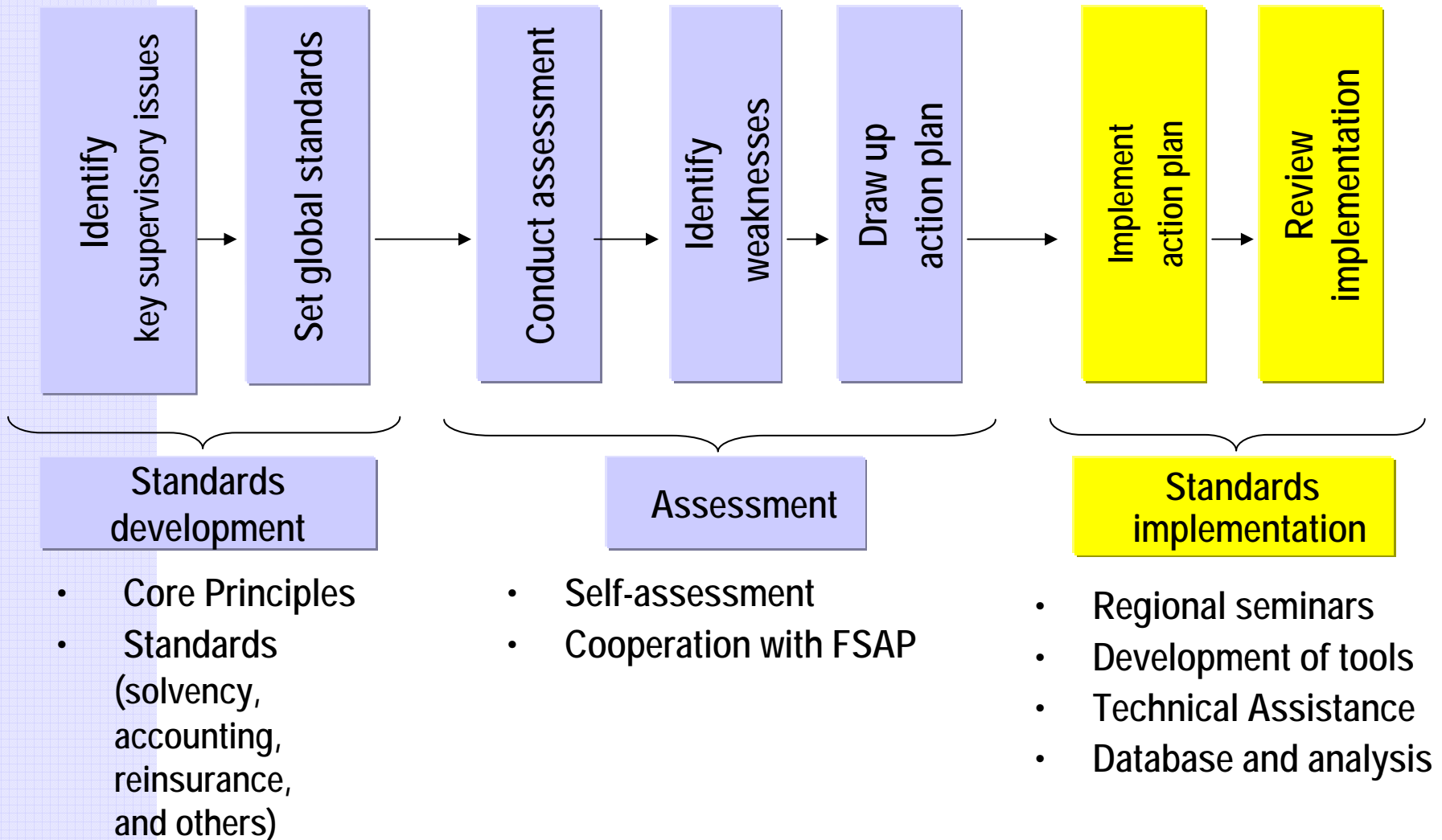
3. Assessment

Financial Sector Assessment Program (cont.)

- Assessment of observance of ICPs only one element
- Observance of every ICP and all essential criteria assessed and documented
- Requirements should be implemented and enforced in supervisory practice
- Conclusions include prioritised recommendations for achieving improved observance - and formal comments by the authorities
- Results may be published



4. Standard Implementation Activities

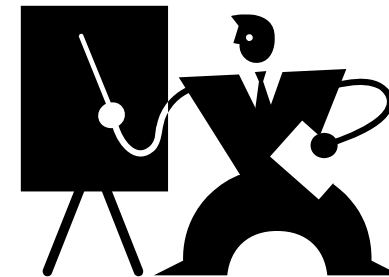




4. Standard Implementation Activities

Trainings and Seminars

- IAIS organises (or sponsors) more than 10 regional seminars per year worldwide:
 - Range of 2-5 training days
 - In-depth training focusing on specific Insurance Core Principles

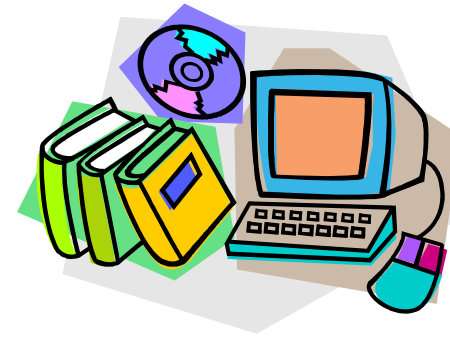




4. Standard Implementation Activities

Training materials

- Training materials
 - Manuals, presentations, case studies
 - Translations of principles and standards
 - Distance learning (with World Bank)
- Core Curriculum Project
 - Coming soon!





4. Standard Implementation Activities

Core Curriculum Project

- Comprehensive learning curriculum
 - 35 basic modules covering all 28 ICPs
 - 5 complex case studies
 - Several modules were pilot tested
- Available on the IAIS web site (Sep. 2006)
- 3-year project supported by the World Bank



4. Standard Implementation Activities

Regional coordination

- Regional Coordination Subcommittee
 - Map the international training needs region by region
 - Identify regional technical assistance (TA) objectives
 - Draft a strategy for implementation of training objectives
 - Coordinate with training organisations
 - Help obtain financial support for technical training
 - Coordinate regional needs and provide input to the Technical Committee
 - Promote the IAIS and recruit new members/observers



4. Standard Implementation Activities

Database on insurance law and regulation

- IAIS launched a comprehensive database of insurance laws and regulations in 2002
 - 20 chapters
 - Around 60 jurisdictions have input the data
 - Not only country specific information, but also comparative reports on insurance systems
 - Content enhancement project
 - Global analysis of insurance laws and regulations in 2005



4. Standard Implementation Activities

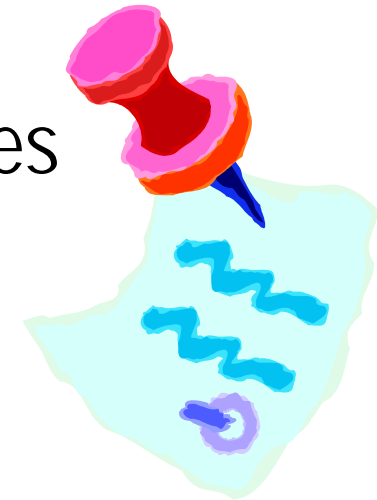
Survey on impact of implementation of IFRS

- IFRS (International Financial Reporting Standard) issued by IASB
 - IFRS 4 Insurance Contract
 - IAS 39 Financial Instruments: Recognition & Measurement
- IFRS has been implemented in a number of jurisdictions
- The survey collects and analyses information on the status of the application of IFRS, including its impact and the reaction by insurance supervisors
- Conducted by Accounting Subcommittee
- Survey Report issued in May 2006



Overview of IAIS Insurance Core Principle (*Recap*)

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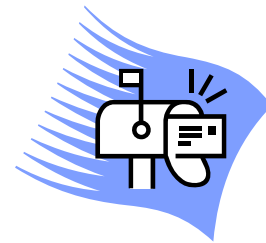




International Association of Insurance Supervisors (IAIS)

Questions and Answers

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