



SUGESE

*Superintendencia General de Seguros
República de Costa Rica*

Update from the International Association of Insurance Supervisors

Conor Donaldson

07 August 2018

Overview

- 1) Insurance and Market Development
- 2) Overview of the IAIS and its Activities
 - a) Standard Setting
 - b) Implementation
- 3) Key initiatives 2018 - beyond

Insurance Markets and Economic Development

Clear relationship between insurance markets and economic growth – even stronger relationship in developing economies

- Protects People and Business
- Supports Economic Growth

Effective regulation and supervision matters if we want to realise the benefits of insurance

- high level of asymmetry of information between providers and consumers
- “business of promises” that requires confidence and trust in the industry if markets are to develop and grow.
- Effective regulation and supervision build consumer confidence and trust

Growing Insurance Markets

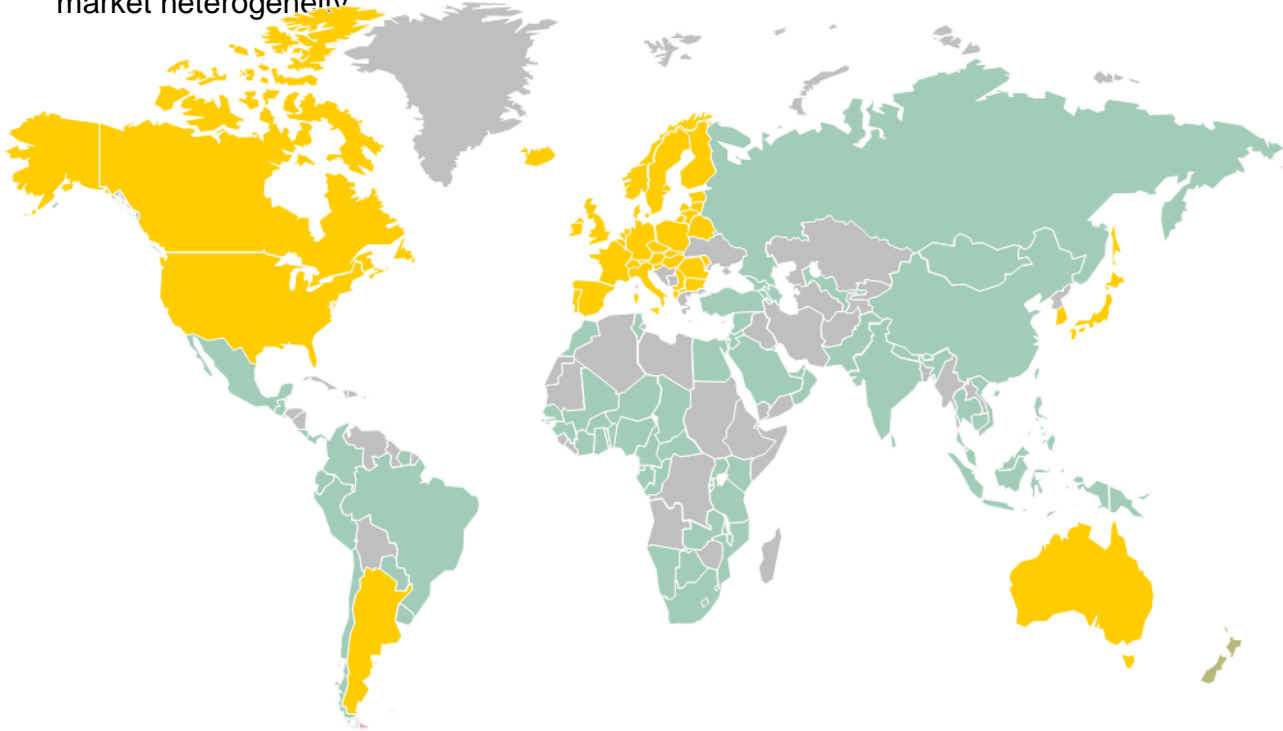
- Global increases in insurance markets driven by Emerging and Developing Markets.
 - *Insurance markets growth in these markets is often faster than GDP growth*
 - *GDP growth rates in last decade: EM ~4+%, Developed ~1+%*
 - *Almost 20% of global insurance premiums from EMs, and this proportion is increasing annually*

Overview of the IAIS

- Mission
 - 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**
 - Contribute to **global financial stability**
- IAIS membership is broad and diverse:
 - About 200 jurisdictions in nearly 140 countries
 - 97% of the world's insurance premiums

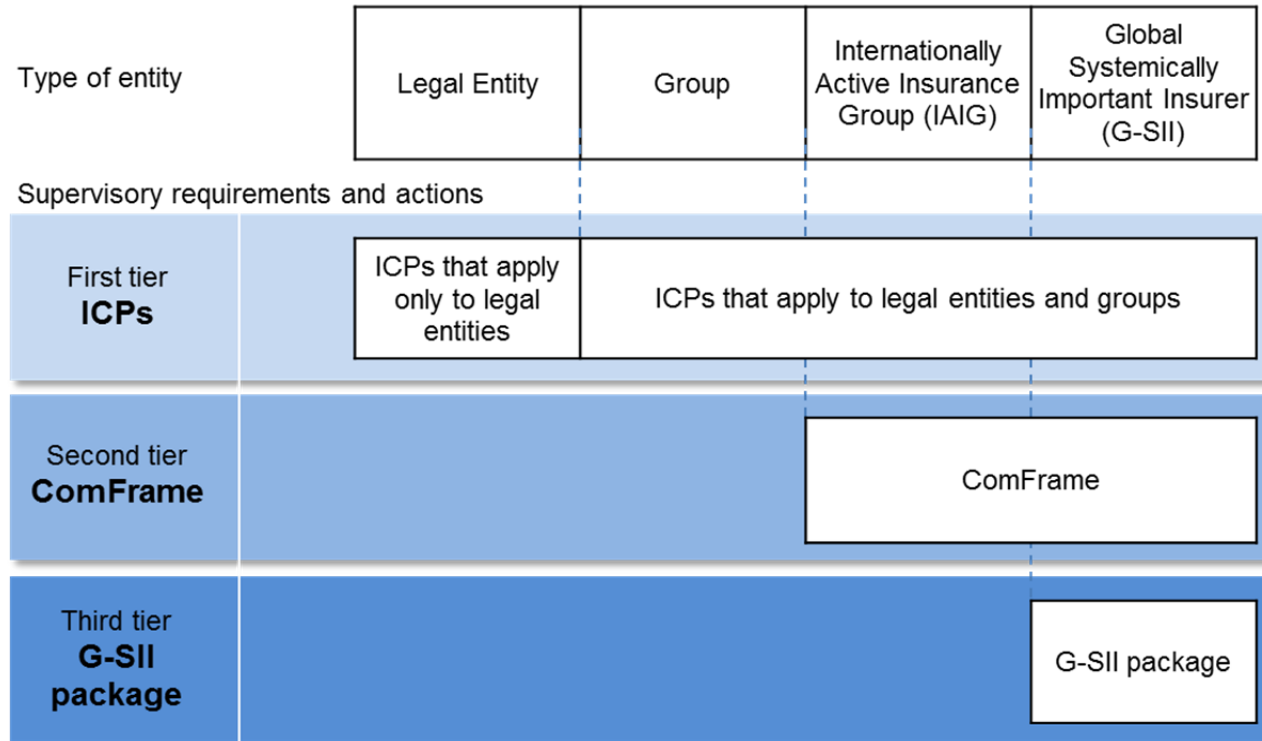
The IAIS and its role in supporting supervisors

- More than **half of IAIS Members** come from Emerging Markets and Developing Economies
- Our standard setting, financial stability and implementation activities take into account the market heterogeneity



IAIS Standard Setting Activities

Architecture of IAIS international supervisory requirements



ICPs: Elements & Hierarchy

Insurance Core Principle

- The “Principle Statement”: the **essential elements** that must be present in the supervisory regime
- Should be **adhered to by all insurance supervisors**
- Basis from which standards are developed

Standard

- **High-level requirements** that are fundamental to the implementation of the ICP
- Written as **obligations of the supervisor**
- Linked to specific ICP

Guidance

- **Supports the core principle and standards** and provides additional interpretation or detailed guidance on how to comply with or implement the standard
- **Does not set out new requirements**
- Often **provides examples** of possible ways of implementing the requirements in the standard/principle statement

Recent IAIS Supporting Material

Recently Adopted

- FinTech Developments in the Insurance Industry
- Application Paper on Product Oversight in Inclusive Insurance
- Application Paper on Mutuals, Cooperatives and Community Based Organisations
- Application Paper on Group Corporate Governance
- Application Paper on Approaches to Supervising the Conduct of Intermediaries
- Issues Paper on Index-Based Insurances
- Issues Paper on Issues Paper on Climate Change Risks to the Insurance Sector

In Development

- Application Paper on digital technology in inclusive insurance

Implementation Activities

Supporting implementation is a key strategic objective for the IAIS

- **Assessment** against IAIS supervisory material
- **Supervisory practices** exchange amongst supervisors on supervisory and emerging policy areas (eg, FinTech, Sustainability, Financial Inclusion)
- **Cooperation and Exchange** amongst supervisors and other key stakeholders

The IAIS works closely with partners to achieve its implementation objectives

- Financial Stability Institute (FSI)
- A2ii
- Sustainable Insurance Forum
- International Development Finance Institutions (eg, World Bank, Asian Development Bank)
- Capacity building entities, (eg, Toronto Centre)

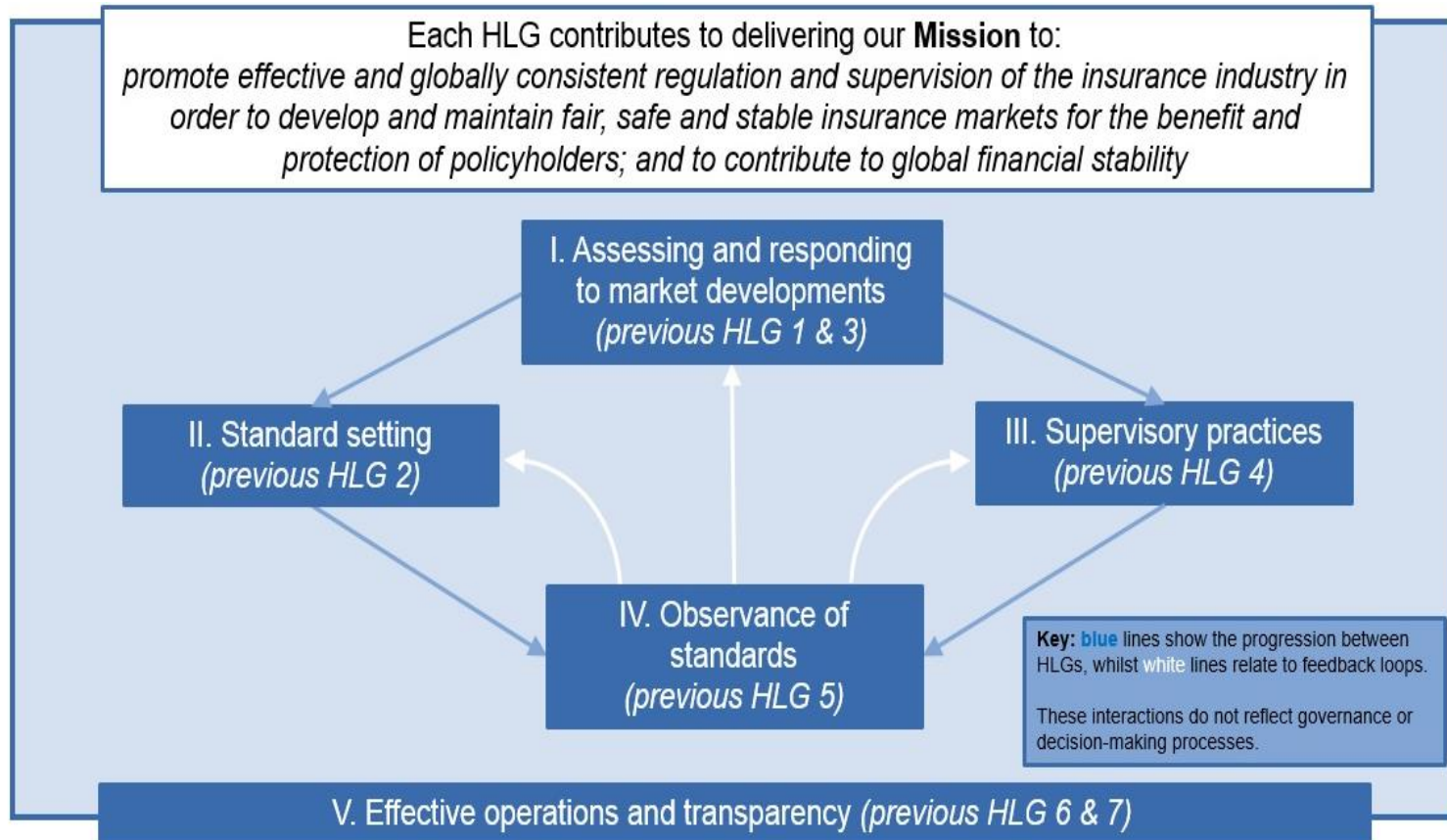
Themes Emerging from Input Stage

- Insurance markets are evolving quickly
- A number of emerging(ed) policy issues are impacting insurance and insurance supervision in a substantive way
- Finalisation of agreed reforms is critically important
- Supporting good supervisory practices
- Engaging with emerging markets and developing economies (EMDEs)
- Focusing on conduct and culture

Key Messages

- More stability in the IAIS standards and a pivot to an increased focus on support for good supervisory practices and the implementation of agreed standards
- The finalisation of the IAIS' current commitments to the post-crisis reform agenda remains the priority, but increasingly also a focus on a range of emerging(ed) issues (eg FinTech, cyber, climate risk) that present opportunities, challenges and risks relevant to our Mission
- Capacity building is key to helping ensure supervisory systems keep pace with rapid market growth in EMDEs
- A holistic approach to prudential and market conduct supervision is called for – many risks to policyholder protection from the key trends and developments relate to the fair treatment of customers, but this in turn has financial soundness and stability implication
- Proportionate supervision can help support insurance market development and the role of insurance in resilience and sustainable economic development
- Delivery will require a change in how we work and communicate to be more agile and responsive

Next Five Year Strategic Plan and Financial Outlook



Looking forward – 2018 and beyond

- ***Delivering on our commitments***
 - Addressing systemic risk in the financial sector
 - Developing an Insurance Capital Standard that is implementable by end-2019
- ***Addressing emerging risks***
 - FinTech
 - Cyber
 - Sustainability / Climate Change
- ***Supporting Implementation***
 - Strengthening our assessment programme
 - Supporting peer-to-peer exchange on supervisory practices
 - Targeted capacity building work (eg, global partnership between the IAA, IAIS and A2ii)
 - Enhanced supervisory cooperation & information exchange
- ***Developing our next Strategic Plan and Financial Outlook***

Contact information

Conor Donaldson

International Association of Insurance Supervisors
Centralbahnplatz 2 c/o BIS

tel: +41 61 280 8602

mobile: +41 76 350 8602

Skype: conordonaldson

e-mail: conor.donaldson@bis.org