

Release of IAIS proposed holistic framework for the assessment and mitigation of systemic risk in the insurance sector and implications for the identification of G-SIIs and for G-SII policy measures

1. In November 2011 the Financial Stability Board (FSB) published an integrated set of policy measures to address the systemic and moral hazard risks associated with systemically important financial institutions (SIFIs).¹ In July 2013, the FSB, in consultation with the International Association of Insurance Supervisors (IAIS) and national authorities, identified an initial list of nine global systemically important insurers (G-SIIs) using an assessment methodology developed by the IAIS, and the policy measures that should apply to them.² That report noted that the list of G-SIIs would be updated annually and published by the FSB each November based on new data.
2. In November 2017 the FSB, in consultation with the IAIS and national authorities, decided not to publish a new list of G-SIIs for the year and that the policy measures set out in the FSB's 2016 communication on G-SIIs would continue to apply to the firms listed in the 2016 communication. The FSB indicated that it would review the situation in November 2018 based on IAIS's progress made at that time in developing the Activities-Based Approach to systemic risk in the insurance sector. The FSB welcomed this work and noted that an Activities-Based Approach, once developed, may have significant implications for the assessment of systemic risk in the insurance sector and hence for the identification of G-SIIs and for G-SII policy measures.³
3. The FSB welcomes the publication today of the IAIS consultation document on a proposed holistic framework for the assessment and mitigation of systemic risk in the insurance sector. It sets out the Activities-Based Approach for sector-wide risk monitoring and management, as a key component of the framework, and tools for dealing with the build-up of risk within individual insurers. The FSB notes that a new holistic framework, appropriately implemented, would provide an enhanced basis for mitigating systemic risk in the insurance sector.
4. The key elements of the framework are:

¹ See FSB, *Policy Measures to Address Systemically Important Financial Institutions*, 4 November 2011 (http://www.fsb.org/2011/11/r_111104bb/).

² See FSB, *FSB identifies G-SIIs and the Policy Measures that will Apply to Them*, 18 July 2013 (http://www.fsb.org/publications/r_130718.htm).

³ See FSB, *Review of the list of global systemically important insurers (G-SIIs)*, 21 November 2017 (<http://www.fsb.org/2017/11/review-of-the-list-of-global-systemically-important-insurers-g-siis/>).

- A global annual monitoring exercise by the IAIS designed to detect the possible build-up of systemic risk in the global insurance sector, including an Activities-Based Approach to addressing systemic risk as a prioritised, key component of the holistic framework.
 - An enhanced set of pre-emptive supervisory policy measures, including macroprudential surveillance by supervisors, enhanced requirements on enterprise risk management, liquidity management and measures related to crisis management and recovery planning. These measures will be incorporated in the IAIS supervisory material (Insurance Core Principles, ICPs) and Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) and will be applied in a proportionate manner.
 - Powers of intervention, including reports on the management of systemic risk, restrictions on business activities, reinforcement of financial positions and large exposure limits, that supervisors should have at their disposal to enable a prompt and appropriate response where a potential systemic risk is detected.
 - Mechanisms to monitor the consistent application of the holistic framework and implementation assessment. This includes an assessment of whether the enhanced supervisory policy measures are established in legislation, embedded in the supervisory framework and being applied in practice.
5. The IAIS will further refine the proposed holistic framework, taking account of the public consultation feedback, including feedback on the scope of application of the supervisory measures to ensure proportional application. The specific measures to be incorporated in the IAIS supervisory material (ICPs and ComFrame) will then be exposed for further public consultation. The IAIS will finalise the holistic framework in 2019, for implementation in 2020.
 6. In light of the progress with the proposed holistic framework, the FSB, in consultation with the IAIS and national authorities, has decided not to engage in an identification of G-SIIs in 2018. The FSB will assess the IAIS's recommendation to suspend G-SII identification from 2020 once the holistic framework is finalised in November 2019. 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 by the FSB in consultation with the IAIS and national authorities.
 7. In the period until the holistic framework is implemented, the relevant group-wide supervisors have committed to continue applying existing enhanced supervisory policy measures as described in the IAIS consultative document on the holistic framework published today, as applicable.
 8. The FSB will receive from the IAIS an annual update of the IAIS assessment of systemic risk in the global insurance sector and of the supervisory response. The IAIS will continue its annual global monitoring exercise, including the annual data collection from individual insurers building on the current G-SII data collection template and instructions and implement additional data collection from supervisors as necessary to support an assessment of sector-wide trends with regard to specific activities and exposures.