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# International Developments in Insurance Regulation

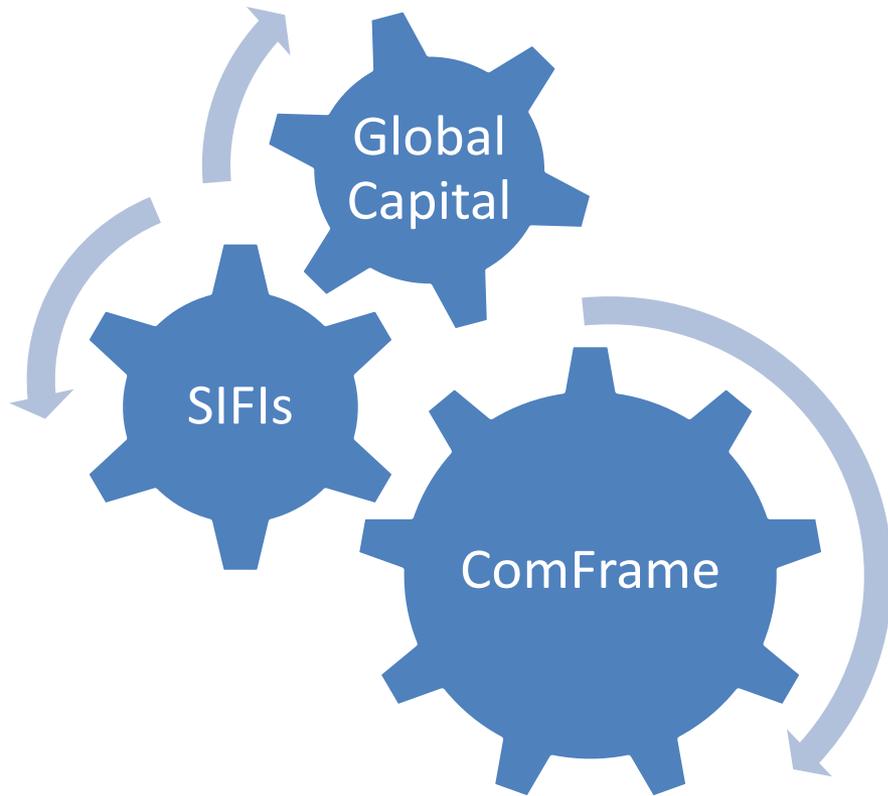
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# Regulation has become a major concern in the C-Suite

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But for most of us, and most of them, these are not the issues that should be the top of the list

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# Observations: ComFrame

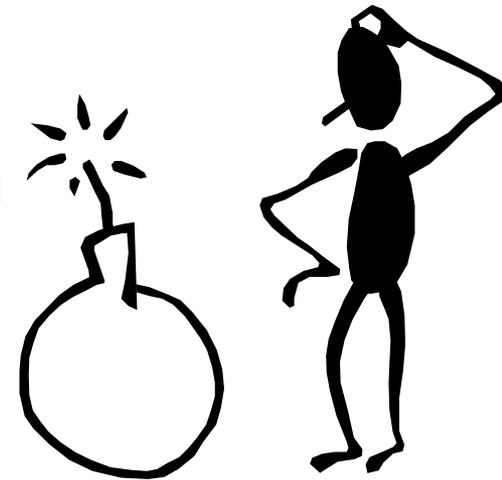
- Most recent edition released for consultation last week;
- Intended to improve group supervision of IAIGs
  - Not all insurers by definition, only a small number by definition
  - Group level supervisory improvement is a good thing
  - Focus of thought naturally goes to home supervisors of largest groups
  - Host supervisors less engaged so far
- Also intended to make supervision more consistent
  - Will it be expanded explicitly or implicitly?
  - Will level playing field implications make it impossible to avoid?
- The impact of ComFrame is clearer for an IAIG than for other insurers and their supervisors





# Observations: G-SIFs

- FSB / IAIS have produced a list of 9 global insurance SIFIs and are moving toward defined actions for them including resolution plans and capital implications
  - Detailed arguments continue on content, but not likely to be straightforward
- More on the SIFIs can be expected
  - Reinsurers are still to be considered
  - Process is ongoing
  - Role of supervisory colleges is critical: Are they properly covering all involved supervisors?
- And, in most places, D-SIFs and R-SIFs have not been given attention
  - They will need to be addressed (in some way) if the world is to be a safer place





# Observations: Global Capital

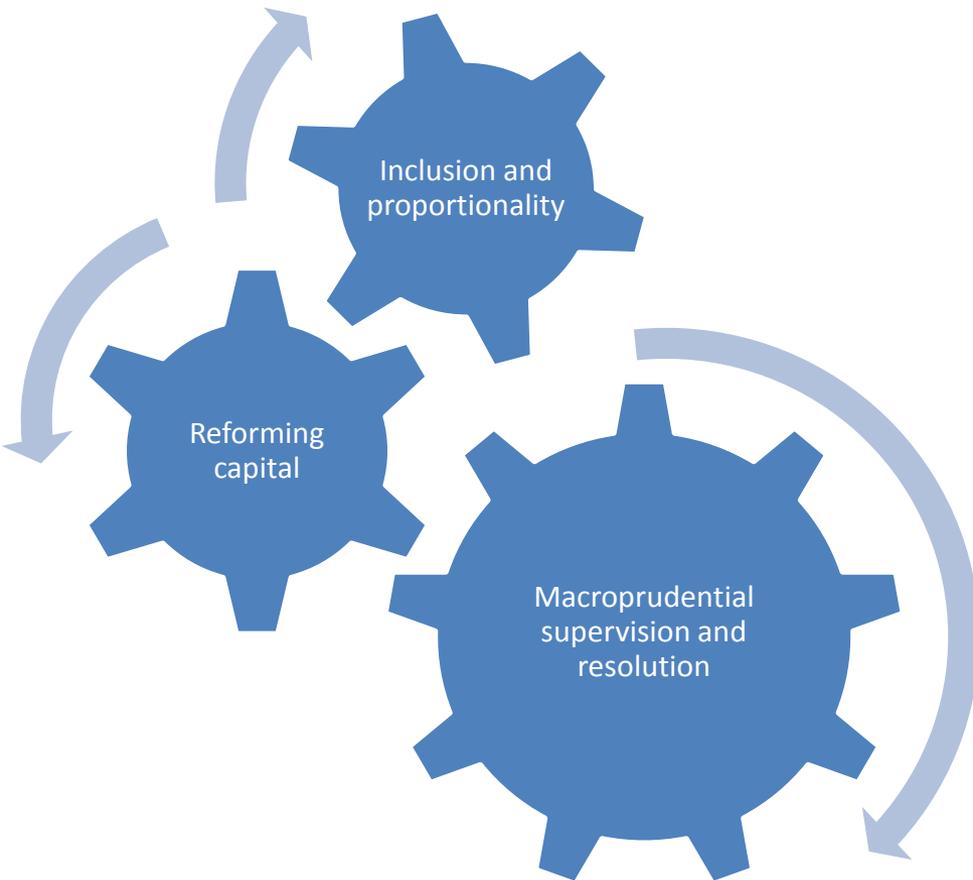
- FSB Inspired over and above internal (less resolved) IAIS debate.
- What would insurance supervisors actually want themselves?
  - Simple backstop capital versus a risk based system.
- How will it be implemented?
  - Apply “minimum of” or “equivalence”, or “add on”, “adjust your system” or “adopt” the IAIS rule?
- Who will it apply to?
  - The nine, forty, or more
- Same trickle down level playing field questions where justification could be through proportionality, a less than fully understood concept.





# But there are more key issues ...

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The IAIS processes are heavily weighted to the major projects, but many supervisors are needing to press ahead on projects that are not moving so fast at the IAIS.

Some key developments outside IAIS lead can be seen through momentum.

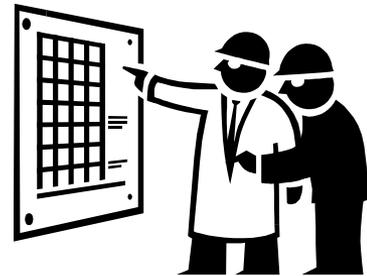
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# Macroprudential Supervision (MPS)

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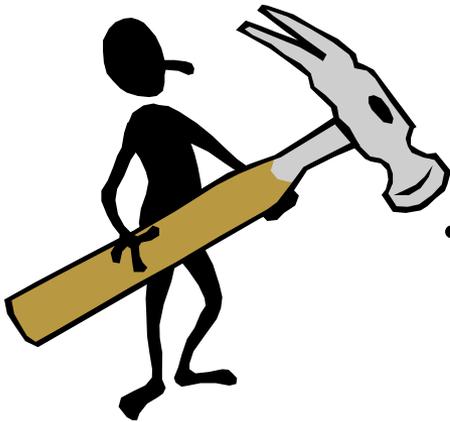
- A key lesson from the financial crisis, with limited progress:
  - Are supervisors engaged enough in MPS processes in their jurisdiction?
  - Are they looking at macro risks adequately, and with the right tools?
    - Stress testing, connectivity studies, over-the-horizon risk assessments
- Do they have the right tools
  - How do we do sector stress tests for insurance?
  - Are supervisory colleges really working as they say they are?
  - Can we resolve an insurer in an “orderly manner”?
- As an aside, work on competition measures and sector composition is producing interesting results guiding proportionate regulation and supervision reforms





# Resolution

- Can we resolve an insurer in an orderly manner?
  - What does “orderly” mean in the insurance context?
  - Few if any jurisdictions would have a case that would be able to demonstrate an “orderly” resolution against the criteria.
  - Cross border cases are so obviously very problematic and no material change has taken place yet. Plans to make changes are non-existent.
  - Are we moving toward protection schemes in all countries?
- The Challenge: By doing some thinking about insurance in advance, we can place some markers there and avoid a “banking approach” filling the void we leave ourselves.





# Capital Reform

- Many supervisors are not waiting on Solvency II any longer
  - Real change on the ground in many countries, accelerating momentum of reform projects
- Making capital rules more risk based
  - Enhances capital and economic efficiency helping to develop risk management at insurers, and add efficiency to both supervisory oversight and economic contribution of the insurance sector
  - Processes can be complex and the “right” rule can take time and expertise to develop.





# Inclusion

- IAIS was, and is, leading the way but momentum is slowing. Countries are now moving ahead.
- Key issues:
  - What is proportionality in practice? In the ICPs since 2003 and expanded in 2011. Still used without understanding in debates.
- Is insurance provided “adequate” or “quality”?
  - What is the role of supervisors overseeing that insurers “keep their promises”?
  - Can we define points of entry for action in the worst cases?
  - What do we mean aside from value in money terms? Minimum standards of outcomes can and are being defined.
  - And can be assessed, monitored and improved.





**END**

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