



JONATHAN DIXON

Secretary General,
International Association of
Insurance Supervisors (IAIS)

Navigating uncertainty: the importance of a global supervisory response

In February, the IAIS published its Roadmap which sets out an ambitious work programme for the next two years during a period of continued uncertainty for the insurance sector given the Covid-19 pandemic. Assessing and mitigating risks to the stability of the global insurance sector, while helping our members to address accelerating risks and opportunities, sits at the heart of the IAIS' Roadmap.

The pandemic highlighted the importance of consistent global standards and supervisory cooperation to maintain financial stability. Despite the significant challenges during 2020, the IAIS progressed work to finalise and implement key reforms such as enhanced global standards on macroprudential supervision (the Holistic Framework for the assessment and mitigation of systemic risk) and the global Insurance Capital Standard (ICS). We also maintained momentum on our supervisory guidance on a range of emerging and accelerating trends, such as climate change, fintech and cyber risk.

The Roadmap presents a broad range of planned projects in four thematic areas:

Risk assessment and the maintenance of financial stability, including ongoing assessment of potential vulnerabilities arising from the impact of Covid-19.

In 2021, we will undertake our Global Monitoring Exercise (GME), which is an assessment of systemic risk at the sector-wide and individual insurer level and covers more than 90% of the global insurance market.

Last year the IAIS adapted the GME to focus on the impact of Covid-19. This year we will continue to monitor the impact of the pandemic on the global insurance sector. Running this exercise last year provided supervisors with access to global data so they could share their experience on any emerging vulnerabilities. In December, we published the results of this analysis in our Global Insurance Market Report. It concluded that the global insurance sector had demonstrated both operational and financial resilience, aided by supervisory measures providing operational relief and by monetary and fiscal support measures in financial markets in certain regions.

Delivering on key post-crisis reforms, including further refinement of the ICS during the current five-year monitoring period and the consistent implementation of the Holistic Framework.

Earlier this year we marked an ICS milestone with the completion of the first year of the monitoring period. Despite the operational challenges of 2020, the first year of ICS monitoring saw strong participation and engagement from insurance groups. Participation in the ICS monitoring period will grow in 2021, with additional insurance groups participating. Importantly, this year allowed for the first ICS discussions amongst group-wide supervisors in supervisory colleges, which provided valuable input and feedback to further enhance the ICS. The ICS will create a common language for supervisory discussions of Internationally Active Insurance Groups' solvency and enhance global convergence among group capital standards. We are also making good progress with assessing implementation of the Holistic Framework and in the coming months will report on implementation across our membership.

Supporting members in addressing the risks and opportunities of key trends, especially those accelerated by the Covid-19 crisis. Activities include: work to address climate risk and sustainability; supervisory perspectives on the pandemic protection gap; measures to increase operational resilience of insurers; supervisory guidance on responding to FinTech and cyber risk; supporting activities to implement risk-based solvency regimes in emerging markets and developing economies; and new endeavours in the area of diversity and inclusion.

Implementation support and assessment, specifically reinforcing our extensive programme of member support to help insurance supervisors understand and implement our standards, through training, peer exchange platforms and implementation assessment exercises.

Over the next two years, we will continue to work collaboratively with our colleagues in the other international standard-setting bodies and with our broad range of stakeholders on these important topics. We will also embed emerging lessons learned from the pandemic to further improve the cross-border coordination and collaboration we saw between insurance supervisors over the last year.