

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS



REVISION OF THE INSURANCE CORE PRINCIPLES PROCESS FOR REVIEW AND CONSULTATION

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Revision of the Insurance Core Principles

Process for Review and Consultation

Introduction	4
Background	4
Allocation of ICPs to working parties	5
Table 1 – Details of allocation of ICPs to working parties	5
Timetable	7
Table 2 – Timetable for review of Insurance Core Principles.....	7
Timing of consultation and adoption	8
Table 3 – Timing of consultation and adoption for each individual ICP.....	8
Annex 1 - Mapping of existing 2003 ICPs to Proposed new ICPs.....	11

Introduction

1. The IAIS is currently revising the Insurance Core Principles (ICPs) and corresponding standards and guidance material. The goal is to have a complete set of revised and restructured ICPs and corresponding standards and guidance material ready for adoption at the October 2011 General Meeting. The focus of the work is on the ICPs and standards. Where time allows, corresponding guidance papers will also be reviewed or developed. If necessary, guidance papers may be completed after October 2011.

2. To better manage the consultation process, the material is being released in clusters. The first set of material was released for consultation following the February 2010 Triannual Meetings. Additional material will be released in the coming months with the final complete set of revised ICPs scheduled to be released for consultation following the February 2011 Triannual Meetings. The purpose of this document is to explain to Members and Observers the process for review and consultation to ensure there is a clear understanding of how the material will be developed and consolidated into a cohesive set of revised ICPs and corresponding standards and guidance material.

Background

3. In March 2009, the ICP Coordination Group was formed to take forward the work of the former ICP Review Task Force and manage the process to meet the 2011 deadline for having a revised set of ICPs. The ICP Coordination Group consists of Working Party Chairs and representatives from the IMF and World Bank. The IMF and World Bank were already members of the ICP Task Force and their experience with the practical application of ICPs and the FSAP process has proven invaluable.

4. The ICP Coordination Group is responsible for coordinating the ICP review to ensure comprehensiveness and consistency of approach, to resolve any issues of overlap between working parties, to identify any gaps between current supervisory papers which would need to be filled to promote a high level of implementation of the ICPs and ultimately to provide a revised set of ICPs in time for adoption in October 2011. The review of the more recently approved standards is not meant to re-open previously agreed issues unless there is a clear rationale such as to incorporate lessons learned from the financial crisis.

5. Once revision to the ICPs is completed in 2011, it will be clear that the ICPs are the highest level in the hierarchy of IAIS supervisory material and form the overall umbrella for all other supervisory material. The ICPs will be the only “principles” and will prescribe the essential elements that must be present in a supervisory regime in order to promote a sound insurance sector. Standards will be directly under the ICPs in the hierarchy of supervisory material and will be linked to specific ICPs. Standards will set out key high level requirements that are fundamental to the implementation of the Insurance Core Principles and should be met to demonstrate observance with the core principles.

6. There will no longer be “essential” and “advanced” criteria which are part of the 2003 Insurance Core Principles and Methodology. The ideas currently expressed as essential criteria will be incorporated into the new standards. The advanced criteria in the 2003 Insurance Core Principles and Methodology will be reviewed and either incorporated into the new standards or otherwise be transferred to guidance material. The explanatory notes will be reviewed and the content will move to standards if they are considered part of the assessment criteria and to guidance if they merely provide elaboration. Annex 1 provides a mapping of the existing 2003 ICPs to the proposed new ICPs.

Allocation of ICPs to working parties

7. The ICPs and corresponding standards and guidance material have been allocated to working parties for review in line with their areas of expertise (see Table 1). The substance of the work is taking place in working party meetings and participation of Members and Observers in these meetings is in accordance with the 2005 IAIS *Policy Statement on Observers' Participation in IAIS activities*. For ICPs where no working party has been assigned, the Chair of the ICP Coordination Group and the Secretariat are undertaking the work building on the proposals by the former ICP Review Task Force. In addition, the ICP Coordination Group will hold an open session during the October 2010 Triannual Meetings. This will notably provide Members and Observers with the opportunity to participate in discussions regarding the resolutions on comments received from the consultation period on the ICPs allocated to the Chair of the ICP Coordination Group and the Secretariat.

Table 1 – Details of allocation of ICPs to working parties

Working Party	2003 ICPs	Proposed ICPs
Accounting	<ul style="list-style-type: none"> ICP 26 – Information, disclosure and transparency towards the market 	<ul style="list-style-type: none"> ICP 20 Disclosure
Governance and Compliance	<ul style="list-style-type: none"> ICP 6 – Licensing ICP 7 – Suitability of persons ICP 9 – Corporate governance ICP 10 – Internal control ICP 18 – Risk assessment and management (jointly with Solvency) ICP 19 – Insurance activity (risk management aspects jointly with Solvency) 	<ul style="list-style-type: none"> ICP 4 – Licensing ICP 5 – Suitability of persons ICP 7 – Corporate governance ICP 8 – Internal governance (combines elements of former ICP 10, 18 and 19)
Insurance Contracts	<ul style="list-style-type: none"> ICP 20, 21, 22, 23 – Liabilities and similar commitments, investments, derivatives and similar commitments, capital adequacy and solvency (from a valuation perspective jointly with Accounting and Solvency) 	<ul style="list-style-type: none"> ICP 14 – Valuation (jointly with Solvency through the Joint Valuation Working Group)
Insurance Groups and Cross-sectoral Issues	<ul style="list-style-type: none"> ICP 5 – Supervisory cooperation and information sharing ICP 17 – Group-wide supervision ICP 16 – Winding-up and exit from the market 	<ul style="list-style-type: none"> ICP 3 – Supervisory cooperation, coordination and information exchange ICP 23 – Group-wide supervision ICP 12 – Winding-up and exit from the market
Market Conduct	<ul style="list-style-type: none"> ICP 24 – Intermediaries ICP 25 – Consumer protection 	<ul style="list-style-type: none"> ICP 18 – Intermediaries ICP 19 – Conduct of business

Working Party	2003 ICPs	Proposed ICPs
Insurance Fraud (as a subgroup of Market Conduct)	<ul style="list-style-type: none"> • ICP 27 – Fraud • ICP 28 – Anti-money laundering, combating the financing of terrorism (AML/CFT) 	<ul style="list-style-type: none"> • ICP 21 – Fraud • ICP 22 – Anti-money laundering, combating the financing of terrorism (AML/CFT)
Reinsurance	<ul style="list-style-type: none"> • ICP 19 – Insurance activity (reinsurance and other risk transfer activities) 	<ul style="list-style-type: none"> • ICP 13 – Reinsurance and other forms of risk transfer
Solvency	<ul style="list-style-type: none"> • ICP 18 – Risk assessment and management (jointly with Governance and compliance) • ICP 19 – Insurance activity (risk management aspects jointly with Governance and compliance) • ICP 20, 21, 22, 23 – Liabilities and similar commitments, investments, derivatives and similar commitments, capital adequacy and solvency (jointly with Accounting and Insurance Contracts) 	<ul style="list-style-type: none"> • ICP 16 – Enterprise risk management for solvency purposes (includes elements from former ICP 18 & 19) • ICP 16 – Enterprise risk management for solvency purposes • ICP 15 – Regulatory investment requirements for solvency purposes • ICP 17 Capital adequacy for regulatory solvency purposes, including use of internal models for regulatory capital purposes • <u>ICP 14 – Valuation (jointly with Insurance Contracts through the Joint Valuation Working Group)</u>
Chair/ Secretariat	<ul style="list-style-type: none"> • ICP 1 – Conditions for effective supervision • ICP 2 – Supervisory objectives • ICP 3 – Supervisory authority • ICP 4 – Supervisory process • ICP 8 – Changes in control and portfolio transfer • ICP 12 – Supervisory reporting and off-site monitoring • ICP 13 – On-site inspection • ICP 14 – Preventative and corrective measures • ICP 15 – Enforcement or sanctions 	<ul style="list-style-type: none"> • To be moved to preconditions • ICP 2 – Supervisory objectives • ICP 3 – Supervisory authority (combines former ICP 3 & 4) • ICP 6 – Changes in control and portfolio transfer • ICP 9 – Supervisory review and reporting (combines former ICP 12 & 13) • ICP 10 – Preventative and corrective measures • ICP 11 – Enforcement or sanctions
Financial Stability Committee	<ul style="list-style-type: none"> • ICP 11 – Market analysis 	<ul style="list-style-type: none"> • ICP 24 – Market analysis

Timetable

8. The goal is to have revised restructured ICPs and corresponding standards complete and ready for adoption at the October 2011 General Meeting. Table 2 sets out the timing of the significant milestones.

Table 2 – Timetable for review of Insurance Core Principles

Date	Milestone
June 2009 Triannual Meetings	ICP Coordination Group presents a report to TC for endorsement including: <ul style="list-style-type: none"> Proposed new structure of supervisory papers, revised mandate of the ICP Coordination Group, issues for Technical Committee consideration Outline of the workplans for revising Standards
September 2009	<ul style="list-style-type: none"> ICP Coordination Group meeting/teleconference to finalise the structure and workplan for presentation to TC at October Triannual Meetings
October 2009 Triannual Meetings	<ul style="list-style-type: none"> Final new structure of supervisory papers and workplan presented to TC with outline of standards to be developed/revised with proposed completion dates Approval by TC to release new structure of supervisory papers for consultation ICP Coordination Group meeting to resolve outstanding issues Information session to inform Members and Observers on approach
October – December 2009	<ul style="list-style-type: none"> Consultation on proposed structure with Members and Observers
December 2009	<ul style="list-style-type: none"> Working parties provide ICP Coordination Group with preliminary draft revised ICPs under their responsibility and outline of corresponding standards
January 2010	ICP Coordination Group meeting to: <ul style="list-style-type: none"> review compilation of working party submissions resolve outstanding issues agree on overall structure and first cluster of revised ICPs and corresponding standards and guidance for presentation to TC at February Triannual Meetings
February 2010 Triannual Meetings	<ul style="list-style-type: none"> Presentation of results from consultation on overall structure to TC and TC approval First cluster of ICPs and corresponding standards and guidance presented to TC for approval to consult ICP Coordination Group meeting to resolve outstanding issues
February – May 2010	<ul style="list-style-type: none"> Consultation on ICPs approved for consultation at February Triannual Meetings ICP Coordination Group teleconferences to resolve outstanding issues
June 2010 Triannual Meetings	<ul style="list-style-type: none"> First cluster of ICPs and corresponding standards and guidance revised to reflect changes from consultation and presented to TC for endorsement Second cluster of ICPs and corresponding standards and guidance presented to TC for approval to consult ICP Coordination Group meeting to resolve outstanding issues
Summer 2010	<ul style="list-style-type: none"> Consultation on second cluster of ICPs approved for consultation at June Triannual Meetings ICP Coordination Group meetings/teleconferences to resolve outstanding issues
October 2010	<ul style="list-style-type: none"> Second cluster of ICPs and corresponding standards and guidance revised to reflect changes from consultation and presented to TC for

Date	Milestone
	<ul style="list-style-type: none"> endorsement First two clusters of revised ICPs and corresponding standards and guidance endorsed by TC and ExCo for adoption at General Meeting Third cluster of ICPs and corresponding standards and guidance presented to TC for approval to consult ICP Coordination Group open session to present resolution of comments received on consultation of the ICPs allocated to the Chair/Secretariat (ICP 1, 2, 6, 9, 10 and 11)
October – December 2010	<ul style="list-style-type: none"> Consultation on third cluster of ICPs approved for consultation at October Triannual Meetings
February 2011 Triannual Meetings	<ul style="list-style-type: none"> Third cluster of ICPs and corresponding standards and guidance revised to reflect changes from consultation and presented to TC for endorsement Final set of revised ICPs and corresponding standards and guidance presented to TC for approval to consult
February – April 2011	<ul style="list-style-type: none"> Consultation on complete set of revised ICPs and corresponding standards and guidance approved for consultation at February 2011 Triannual Meetings
May – June 2011	<ul style="list-style-type: none"> ICP Coordination Group meetings/teleconferences to discuss resolution of issues identified on consultation
June 2011	<ul style="list-style-type: none"> Complete set of revised ICPs and corresponding standards and guidance revised to reflect changes from consultation and presented to TC for endorsement
October 2011	<ul style="list-style-type: none"> Final revised ICPs and corresponding standards and guidance presented to TC and ExCo for endorsement and adopted at General Meeting

Timing of consultation and adoption

The ICPs and corresponding standards and guidance are being released in clusters as soon as the material is ready for consultation. The first cluster of ICPs was released for consultation following the February 2010 Triannual Meetings and a second cluster was released following the June 2010 Triannual Meetings. Any material finalised before the October 2010 General Meeting will be presented for adoption in 2010. ICPs and corresponding standards and guidance adopted in 2010 will be effective in October 2011 when incorporated into the final revised ICP package. Material adopted in October 2010 may require some minor editorial changes for alignment and consistency with the overall package of ICPs, standards and guidance to be adopted in October 2011, but there should be no change in the substance. Table 3 sets out the anticipated timing for consultation and adoption of each of the new proposed ICPs.

Table 3 – Timing of consultation and adoption for each individual ICP

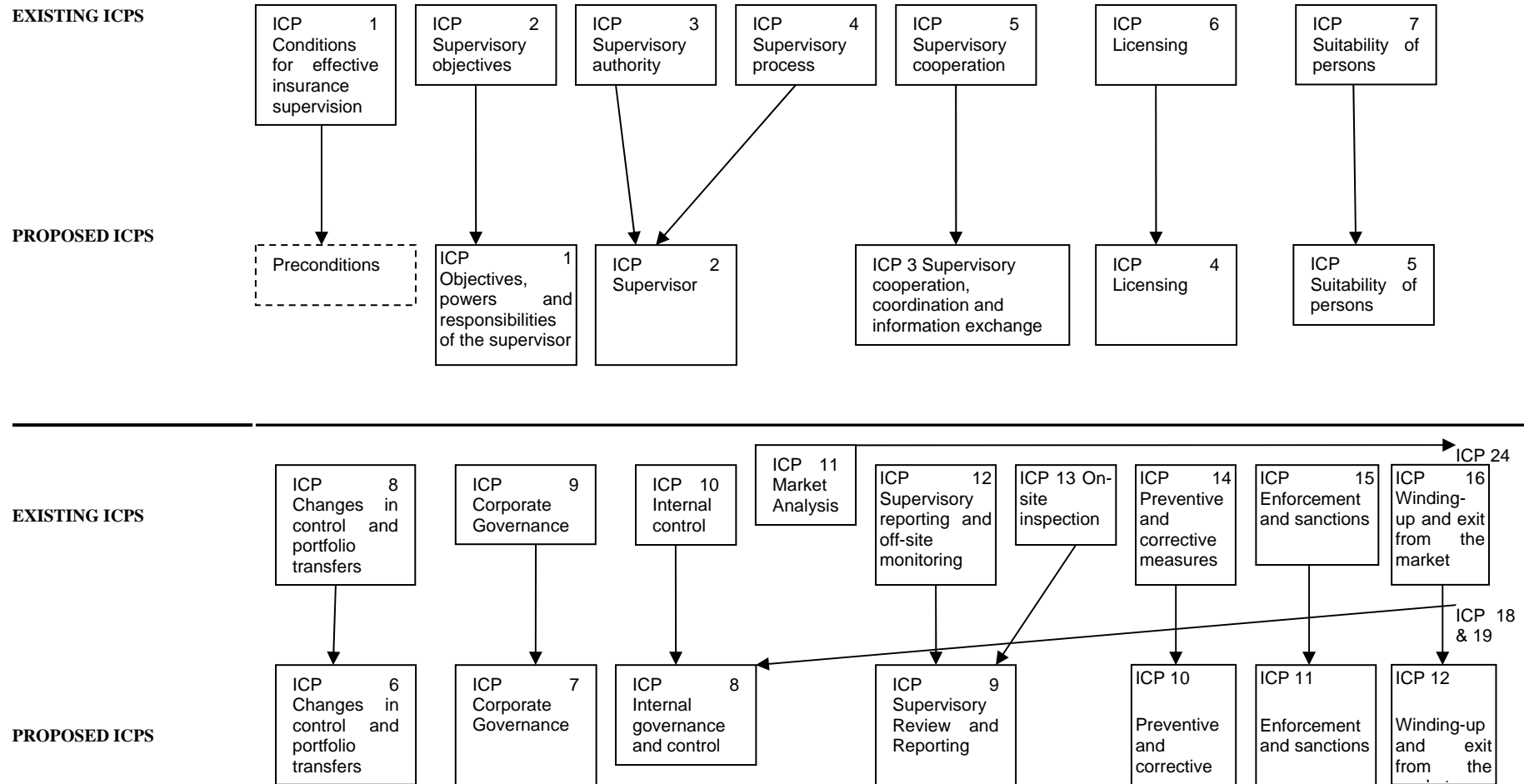
Proposed new ICP	Timing of consultation with Members and Observers	Anticipated timing of Adoption
ICP 1 Objectives, powers and responsibilities of the supervisor	Consultation period completed 4 May 2010	After October 2010
ICP 2 Supervisor	Consultation period completed 4 May 2010	After October 2010

Proposed new ICP	Timing of consultation with Members and Observers	Anticipated timing of Adoption
ICP 3 Supervisory Cooperation, coordination and information exchange	Consultation on standard on Cross-border cooperation on crisis management completed 26 April 2010. The standard will be reformatted into the ICP format and hang under ICP 3. ICP 3 and all corresponding standard and guidance material to be released for consultation following February 2011 Triannual Meetings.	Standard on Cross-border cooperation on crisis management - October 2010 Entire ICP 3 and corresponding standard and guidance – October 2011
ICP 4 Licensing	Consultation period completed 26 April 2010	October 2010
ICP 5 Suitability of persons	To be released for consultation following the June 2010 Triannual Meetings	October 2010
ICP 6 Changes in control and portfolio transfers	Consultation period completed 4 May 2010	After October 2010
ICP 7 Corporate Governance	Consultation period on standard and guidance on remuneration completed on 26 April 2010 which will form part of the broader ICP on corporate governance. ICP and all corresponding standard and guidance material to be released for consultation following October 2010 Triannual Meetings.	October 2011
ICP 8 Internal governance and control	To be released for consultation following February 2011 Triannual Meetings.	October 2011
ICP 9 Supervisory Review and Reporting	Consultation period completed 4 May 2010	After October 2010
ICP 10 Preventive and corrective measures	Consultation period completed 4 May 2010	After October 2010
ICP 11 Enforcement and sanctions	Consultation period completed 4 May 2010	After October 2010
ICP 12 Winding-up and exit from the market	To be released for consultation following the February 2011 Triannual Meetings	October 2011
ICP 13 Reinsurance and other forms of risk transfer	To be released for consultation following the June 2010 Triannual Meetings	October 2010
ICP 14 Valuation for solvency purposes	Consultation period for ICP and corresponding standard completed 30 April 2010. Standard and guidance material to be subject to consultation following February 2011 Triannual Meetings.	October 2011
ICP 15 Regulatory investment requirements for solvency purposes	Consultation period on standard and guidance completed 30 April 2010.	October 2010

Proposed new ICP	Timing of consultation with Members and Observers	Anticipated timing of Adoption
	Material will be reformatted into ICP format.	
ICP 16 Enterprise risk management for solvency purposes	Consultation period on standard and guidance completed 30 April 2010. Material will be reformatted into ICP format.	October 2010
ICP 17 Capital adequacy for regulatory solvency purposes, including Internal models for regulatory capital purposes	Consultation period on standard and guidance completed 30 April 2010. Material will be reformatted into ICP format.	October 2010
ICP 18 Intermediaries	To be released for consultation following October 2010 Triannual Meetings.	October 2011
ICP 19 Conduct of Business	To be released for consultation following October 2010 Triannual Meetings.	October 2011
ICP 20 Disclosure	To be released for consultation following October 2010 Triannual Meetings	October 2011
ICP 21 Fraud	To be released for consultation following the February 2011 Triannual Meetings.	October 2011
ICP 22 Anti-money laundering, combating the financing of terrorism	To be released for consultation following the February 2011 Triannual Meetings.	October 2011
ICP 23 Group-wide supervision	Standard on group-wide regulatory requirements and guidance on group-wide supervision framework (GSF) to be released for consultation following the June 2010 Triannual Meetings. Standard on scope of group, supervisory power and legal authority to be released for consultation (subject to Technical Committee approval) following October 2010 Triannual Meetings.	October 2010 October 2011
ICP 24 Market analysis	Consultation period completed 4 May 2010	After October 2010
Complete set of ICPs and corresponding standards and guidance	To be released following the February 2011 Triannual Meetings	October 2011

Mapping of existing 2003 ICPs to Proposed new ICPs

Annex 1



Mapping of existing 2003 ICPs to Proposed new ICPs

Annex 1

