

# **INSURANCE REGULATION COMMITTEE**

## **ACTIVITY REPORT FOR THE PERIOD NOVEMBER 2009 – FEBRUARY 2010**

### **Paper on Systemic Risk Regulation**

Ad hoc Working Group on Systemic Risk Regulation is developing a paper on systemic risk regulation which will address the source of systemic risk in financial markets, the role of regulators, and the measures of systemic risk

### **Liaison with International Association of Insurance Supervisors (IAIS) and other International organizations**

#### *IAIS Solvency and Actuarial Issues Subcommittee*

Dave Sandberg attended the subcommittee meeting in San Francisco (December 2009) and Henk van Broekhoven and Toshihiro Kawano attended the meeting in Hyderabad (February 2010). The main topics of discussion at the meetings of this subcommittee were the preparation of drafts of several Standards and Guidance papers. During the meetings the following topics were discussed especially with regard to anticipated new structure of the insurance core principles and to incorporate the group aspects:

- a) Standard and guidance paper on capital adequacy for regulatory solvency purposes
- b) Standard and guidance paper on enterprise risk management for solvency purposes
- c) Standard and guidance paper on regulatory investment requirements for solvency purposes
- d) Standard and guidance paper on the use of internal models for regulatory capital purposes
- e) Valuation standards for assets and liabilities

These papers have been finalized at the subcommittee level and will be forwarded to the IAIS Technical Committee to seek formal consultation between the members and the observers of IAIS. The IAA has provided inputs on the occasion of the subcommittee meetings and will issue formal comments, where appropriate, once the papers are put into formal consultation.

The IAA was requested to provide inputs on the following two topics at the next subcommittee meeting of IAIS:

- a) Common framework for the supervision of internationally active insurance groups; and
- b) Basel committee proposals on capital and liquidity, possible read across to IAIS.

### **Solvency Subcommittee**

A final draft of the Actuarial Note on the Use of Internal Models for Risk and Capital Management Purposes by Insurers was prepared by the end of January 2010 and distributed to the members of the Solvency Subcommittee for the discussion at the next meeting.

In addition the subcommittee is developing a paper on stress/scenario testing.

### **Reinsurance Subcommittee**

The subcommittee continues to follow the various activities concerning reinsurance business within different groups and projects (IAIS, Reinsurance Transparency Group, OECD, Solvency II, IFRS, Rating Agencies), and especially the Reinsurance Subcommittee of the IAIS which is of natural interest to this subcommittee. An informal comment was submitted to IAIS on ICP, Standards and Guidance Paper on Reinsurance and other forms of risk transfer.

### **The role of the actuary**

The Insurance Regulation Committee, together with the Insurance Accounting, Pensions and Employee Benefits and Professionalism Committees, has set up a working group to investigate the need for guidelines and/or an international model agreement on the respective roles of regulators and auditors. Discussions within this working group are going on taking into account the various developments within different countries. For Solvency II in the EU it was informed that Groupe Consultatif issued a response to CEIOPS questions with respect to developing European Actuarial Standards. The goal is to define the role of the actuary in order to achieve a common understanding how the IAA should approach this topic with the different organizations.

Toshihiro Kawano, Chairperson