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# **Recommendations to be endorsed by the Executive Committee**

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# 1. Recommendations

- Endorse the current work programmes of the Technical Committee and Implementation Committee
- Commit to establishing a new macro-prudential and financial stability approach with appropriate structure and resources
- Proceed with research into the design and practicality of a common assessment framework for insurance group supervision
- Establish a new working group, with an appropriate regional balance, to progress the research stage and to integrate with the current work programmes
- On the basis of the outcome of this exercise, the Executive Committee will assess the merits of further advancing the process of developing a common assessment framework for insurance group supervision

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## 2. Staged Approach to Developing CAF

### Stage 1 – Research and Design (until January ExCo Retreat)

- Research of the practice and experience in relevant aspects of prudential regulation and supervision
- Consider design of legal, qualitative and quantitative aspects

### Stage 2 – Configuration (TBD)

- Configuration based on the preferred approaches identified in stage 1
- Detailed cost benefit analysis

### Stage 3 – Formal development (TBD)

- Impact assessment, based on the configuration established in stage 2

### Stage 4 – Implementation (TBD)

- CAF becomes effective

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# (Note1) Existing Work as a Basis of the New Focus

- Solo-level requirement under Framework of Insurance Supervision
  - Use of internal models and ERM
  - Governance and Market Conduct requirement
  - Review of Insurance Core Principles
  
- Group-wide Supervision Framework (GSF)
  - Elements of GSF by SSC and IGSC
  - Overarching paper to be provided by IGSC subject to the agreement of Technical Committee
  
- MMoU and peer review mechanism by Implementation Committee

## (Note2) What is CAF for IAIGs

- Legal framework for group-wide supervision
  - A robust legal framework to be developed with a holistic and coherent approach
  - Scope of regulation, treatment of non regulated holding companies, the extent of supervisory power, information exchange, insolvency laws
  
- Qualitative aspects
  - Governance requirements: Fit & proper, internal/external auditor, actuarial functions, independence of directors between entities within a group
  - Risk management: Common requirements for the centralised risk management functions, encouraging the improvement rather than imposing differential and conflicting requirements in individual solo entity
  - Cooperation/information exchange: Facilitation mechanisms such as MMoU, S colleges and group-wide supervisors, designation of a group-wide supervisor under common framework requirements

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## (Note2) What is CAF for IAIGs (cont.)

- Quantitative aspects
  - Reporting: Collection of data based on consistent definitions and confidence level. It facilitates macro level data collection and monitoring.
  - Capital requirements and resources / Investment rules: establishing risk based solvency requirements (MCR/PCR, Standard/Internal model, Investment, Procyclicality, Diversification/Concentration, Double Gearing, Debt Financing, Mobility of Capital, etc.)
  - A common approach on valuation is a necessary precondition of effective common risk based capital requirements.