WORLD BANK GROUP

3rd Conference on Global Insurance Supervision

Fit for Global Thinking

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The WBG approach

- The WBG is supporting developing countries and emerging markets to develop roadmaps towards risk-based supervision using Solvency II approach

- We are supporting countries to implement these roadmaps through advisory services and technical assistance

Solvency II: 3 pillars and a roof

Group supervision & cross-sectoral convergence

Groups are recognised as an economic entity
=> supervision on a consolidated basis
(diversification benefits, group risks)

Pillar 1: quantitative requirements

1. Harmonised calculation of technical provisions

2. "Prudent person" approach to investments instead of current quantitative restrictions

3. Two capital requirements: the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR)

Pillar 2: qualitative requirements and supervision

1. Enhanced governance, internal control, risk management and own risk and solvency assessment (ORSA)

2. Strengthened supervisory review, harmonised supervisory standards and practices

Pillar 3: prudential reporting and public disclosure

1. Common supervisory reporting

2. Public disclosure of the financial condition and solvency report

(market discipline through transparency)

ARGENTINA

Improve group supervision

Pillar 1: quantitative requirements

A guideline (including formula and calculation methodology) on solvency capital requirement and minimum capital requirement, to adapt the capital required to the risks faced by insurers.

Pillar 2: qualitative requirements and supervision

Strengthened supervisory review, through on-site

A Road Map along with a detailed action plan for moving from a quantitative, compliance-based approach, to a risk-based approach to regulation and supervision

Pillar 3: prudential reporting and public disclosure

Enhance the transparency of the insurance sector (market discipline) through enhanced disclosure requirements.

JORDAN

Pillar 1: quantitative requirements

A guideline (including formula and calculation methodology) on solvency capital requirement and minimum capital requirement, to adapt the capital required to the risks faced by insurers.

Pillar 2: qualitative requirements and supervision

A white paper with road map describing long-term recommendations regarding ways to reach more risk-based capital regime either through implementing Solvency II or another “equivalent” regime.

Pillar 3: prudential reporting and public disclosure

Manual on regulatory/supervisory reporting (all information necessary for the purposes of supervision, at minimum review of system of governance, technical provisions, capital requirements, investment, etc.)

Manual on solvency and financial condition reporting

THAILAND

Pillar 1: quantitative requirements

Review and upgrade the RBC framework, focusing on operational and group risk;

Develop a standard model to quantify operational risk for insurance companies;

Pillar 2: qualitative requirements and supervision

Enhance on-site inspection and Early Warning System

Develop a standard model for ALM, ERM and review stress test practcise

Strengthen Risk Based Supervision

Pillar 3: prudential reporting and public disclosure

TURKEY

Strengthen group supervision

Pillar 1: quantitative requirements

Assess the existing solvency regime focusing mainly on RBC taking Solvency II approach as a basis, provide recommendations to improve Turkey's capital regime and develop new risk evaluation methods

Pillar 2: qualitative requirements and supervision

Upgrade supervisory review process and develop guidelines where need be, to reflect risks more accurately by harmonizing the rules at EU level;

Develop a road map on a) dynamic solvency regime b) principals & technical aspects of quantitative requirements of Solvency II;

Pillar 3: prudential reporting and public disclosure

Conclusion

Regulators/Supervisors

- We need a system designed to create incentives for sound risk management
- The supervisory architecture (for the highest policyholders protection)
    - Solvency should be highest priority
    - RBC
    - Data quality and transparency
    - Consistent accounting and actuarial valuation

Insurers

- Strengthen their risk management capabilities
- Create sustainable products
- Remain competitive in the global market place