

Asian Insurance Forum 2024 - Keynote address

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Good morning, everyone. It's a great pleasure to speak to you at the Asian Insurance Forum 2024, an impressive conference organised by the Hong Kong Insurance Authority. Thank you, Clement, for your kind invitation and apologies for not being able to be with you in person today.

Today's theme, "Rising to the Challenge Amidst Global Volatility," could not be more timely and indeed of global imperative for us at the IAIS, as the global standard setter for insurance supervision. But also for our members, for the sector and indeed society at large. Let me start my remarks with some reflection on the global Insurance Capital Standard, or ICS. A milestone achievement for the IAIS. A key element of maintaining a strong and resilient insurance sector and one that's able to respond to the societal challenges of the day is ensuring the effective cross-border supervision of internationally active insurance groups, or IAIGs -- the 59 large global groups that make up a significant portion of worldwide premiums.

Just last week, at our AGM in Cape Town, the ICS was formally adopted by our members. This finalises a landmark project that has been over a decade in the making. The ICS provides, for the first time, a globally comparable risk-based measure of capital adequacy, specifically tailored to IAIGs. It forms the quantitative element of the Common Framework for the supervision of internationally active insurance groups, or ComFrame. So, we now have a complete package for the supervision of these IAIGs. Arriving at this agreement has not been easy. It is a remarkable achievement for the IAIS and its members. It will enhance the effectiveness of global insurance supervision and strengthen the resilience of the global insurance sector. We will now turn to the implementation phase of the ICS, to make sure it is implemented comprehensively and consistently across jurisdictions around the world. We've agreed to implementation support for our members and we've agreed on an approach to implementation assessment, starting in 2026, with more intensive jurisdictional assessments aiming to start in 2027. We've agreed there will be a consistent methodology for these assessments, across the jurisdictions where IAIGs are headquartered, including the implementation assessment of the aggregation method in the US as the US' implementation of the ICS.

Let me now turn to another core IAIS contribution to supporting a strong and stable insurance sector, namely identifying, assessing and addressing global insurance market developments with our macroprudential surveillance and coordinated macroprudential policy measures. Through the IAIS' annual Global Monitoring Exercise, or GME, which is a key element of the Holistic Framework, we have significantly improved our ability to identify and monitor risks in the global insurance sector. Coupled with our macroprudential policy measures designed to increase the overall resilience of the insurance sector and help prevent insurance sector vulnerabilities from developing into systemic risk, the GME provides a strong yet flexible framework that supports the supervisory community to assess and address both inward and outward financial stability risks. Our GME provides an important empirical basis, covering over 90% of global written premiums. We continue to monitor risks and trends with our GME and ensure that the tools available to supervisors are up to the task.

Last week, again in Cape Town, we published a detailed analysis in our 2024 Global Insurance Market Report, or GIMAR. Currently, there are two sector-wide themes that demand our focus. The

first theme focuses on how the insurance sector is managing the complexities of fluctuating interest rates, ensuring adequate liquidity to meet obligations, and managing credit risks. Key areas of insurance supervisory attention here relate to surrender risks, debt sustainability of fixed income assets, risks related to commercial real estate exposures, the impact of derivatives and margin calls, the impact of artificial intelligence/digitalisation, and transmission channels from geopolitical risks.

The second theme covers the structural shifts that we have identified in the life insurance sector. First the growing allocation of capital by insurers to alternative assets and second the increasing use of cross border asset-intensive reinsurance. And these two trends are interrelated. To follow-up more in-depth, we are developing an Issues Paper that will provide an assessment of the key supervisory issues and practices in response to the two structural shifts. The Issues Paper will inform future enhancements to the IAIS' supervisory and supporting material where necessary. To ensure a globally coordinated supervisory response to these trends, public consultation is scheduled from March next year.

Lastly, looking ahead, let me start by highlighting that the challenges and opportunities currently facing the insurance sector, and therefore insurance supervision, are increasingly interconnected. Global, regional and local trends are intertwined, especially in periods of turbulence, such as those caused by geopolitical tensions and macroeconomic imbalances. This is reflected in our new IAIS Strategic Plan 2025 to 2029, which we published at the end of October and will start living from next year. It comes as no surprise that two of our key strategic themes cover firstly, strengthening the supervisory response to climate change and, secondly, supporting adaptation to increasing digital innovation, including artificial intelligence, and the related cyber risks. And our third, and final, strategic theme, which is a new one for us and I think a very important one, is supporting insurance to serve its critical societal purpose of building resilience. This speaks to how insurance supervisors will need to rise to the challenge and play an important role in supporting and sometimes shepherding insurers to deliver on this societal purpose. It includes a multitude of complex topics, like protection gaps, financial inclusion, fair treatment of customers, which will require a multi-stakeholder approach to address.

One of the critical issues that we are faced with are natural catastrophe, or NatCat, protection gaps. As this theme goes beyond the scope of traditional insurance supervision and touches broader public policy objectives, we will look to expand our engagement with policymakers and international partners. Recent examples of successful collaboration in this regard include our joint work, firstly with the IMF, for example, on the High-level panel on protection gaps as part of the IMF's most recent annual meetings, the first time that an insurance topic had been brought to the IMF annual meetings. And secondly, with the OECD to support the G7 publication of a high-level framework for public-private insurance programmes against natural hazards. We will start our own work on the 2025 GIMAR special topic edition on the potential financial stability impacts of NatCat protection gaps, to be published next year.

To finish, what I hope to have left you with this morning is to remind ourselves that we each have our respective role in rising to the challenge and that today, as much as ever, we need a collective response to tackle some of the most pressing issues that we are faced with in the world today.

Before I conclude, I did want to say one last word which is to extend our heartfelt gratitude to the Hong Kong Insurance Authority for graciously agreeing to host our IAIS Annual General Meeting and Annual Conference in 2026. We look forward to that. We're truly honoured and excited to bring our IAIS event, our big Annual Conference, to such a vibrant and dynamic city. We know that the Insurance Authority will do a fantastic job of organising an unforgettable conference.

With that, I wish you a very fruitful discussion today on topics which are key to all of us in rising to the challenge. Thank you.