

Our Meeting will Begin Shortly

IAIS SECRETARIAT Q&A SESSION



Virtual Attendees

- Audio will be muted upon entry.
- To request to speak, use the "Raise Hand" feature. The chair will be alerted.
- Video optional.
- Use the "Chat" feature for questions, comments, or assistance.
- If joining by phone, press *6 to mute/unmute.

Webex help or other technical issues: (816) 783-8960

Connect access or other questions: (816) 783-8961

In-person Attendees

JW Marriott Indianapolis—JW Grand 5–10—Level 3

Wi-Fi Network: NAIC2025

Password (case sensitive): SecureTomorrow25



NAIIC[®]

2025 SPRING NATIONAL MEETING
INDIANAPOLIS, IN



IAIS SECRETARIAT Q&A SESSION

Jonathan Dixon
Secretary General, IAIS

March 24, 2025



IAIS Q&A

NAIC Spring Meeting 2025

Jonathan Dixon, IAIS Secretary General

Virtual, 24 March 2025

Core Objectives and Roadmap 2025-2026



IAIS strategic themes for 2025-2029

1

Strengthening
supervisory
response to
climate change



2

Adapting to
increasing digital
innovation
and cyber risks



3

Supporting
insurance to serve its
societal purpose
of building resilience



Structural shifts in the life insurance sector

These trends were driven in part by the prolonged low-yield environment but persisted as interest rates increased. These trends have been associated with greater involvement of private equity firms in the sector (either through ownership or asset management of insurers).

IAIS Issues Paper 2025

1) Growing investment in alternative assets

2) Cross-border asset-intensive reinsurance*

*Reinsurance across borders whereby a material part of the investment risk is also transferred to the reinsurer

Key sections:

- Increased allocation to **alternative assets** in life insurers' portfolios
- Rising adoption of **asset-intensive reinsurance (AIR)** in the life insurance sector
- Macroprudential and **financial stability considerations**
- Review of the **IAIS supervisory material**

Public consultation launched 19 March, comments invited until 19 May 2025

1. Increased asset allocation to alternative investments

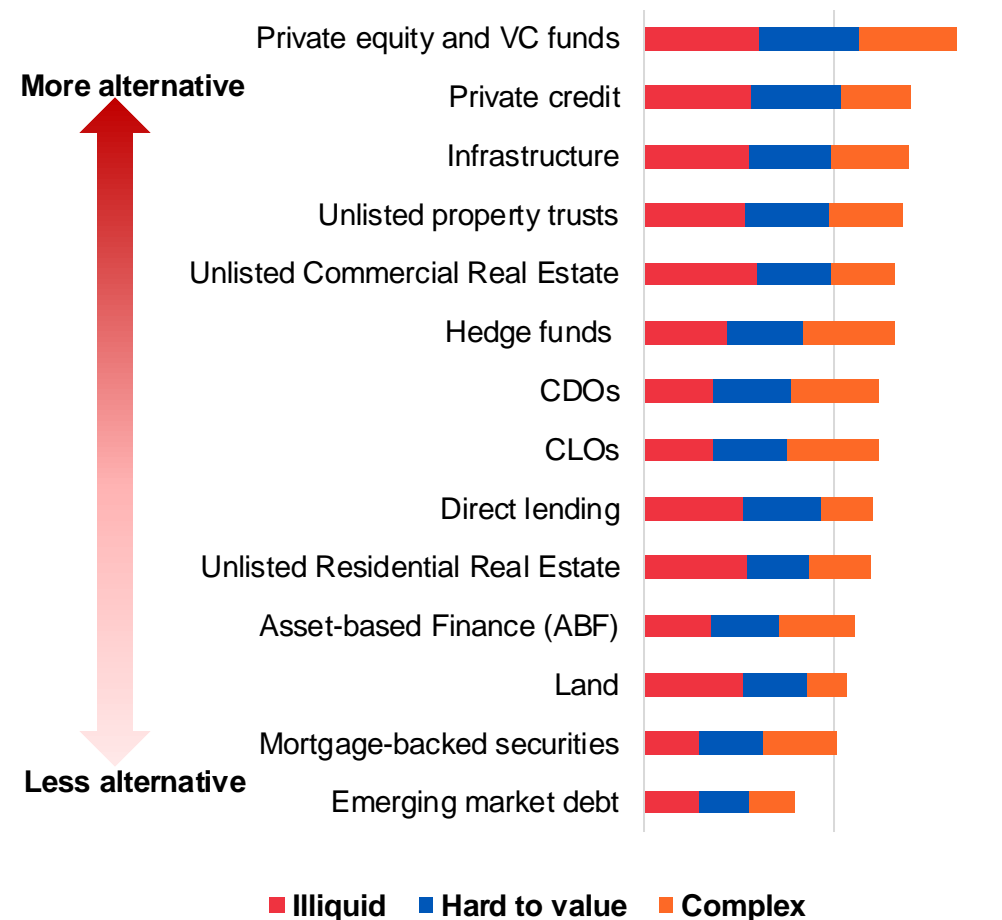
Key drivers: prolonged low interest rates, need for higher returns and diversification. Trend continues in higher interest rate environment.

Challenge: difficult to quantify the trend due to lack of a broadly accepted definition of alternative assets

Issues paper definition:

Alternative assets are assets which display a high degree of either valuation uncertainty, illiquidity or complexity, or a combination of these.

Ranking of alternative assets according to supervisory risk assessment



1. Increased asset allocation to alternative investments

Potential Benefits:

Enhanced portfolio diversification

Higher potential returns

Alignment with long-term liabilities

Inflation hedge

Funding real economy

Supervisory concerns:

Valuation uncertainty, illiquidity, complexity

Hidden leverage

Links to PE firms and conflicts of interest

Credit risk and ratings

Regulatory capital-related issues

Information gaps

Supervisory response:

Enhanced risk management frameworks

Improved monitoring and reporting

Regular capital adequacy reviews

Stress testing and scenario analysis

Conflicts of interest policies

Increased international cooperation

2. Asset-intensive (funded) reinsurance

- **Exposure to AIR: *Varies*** across regions (and so do risks).
- **Key drivers:**
 - Differences in prudential frameworks (eg prescriptive versus market-based), notably in (1) **Reserving**, (2) **Capital requirements** and (3) **Investment flexibility**
 - Ability to leverage these differences → **better pricing** for the cedent
 - Jurisdictional differences in **capital raising, taxation**
 - **Supervisory recognition mechanisms** (equivalence, reciprocity).
- **Complexity: Long risk intermediation chain** from policyholder to multiple offshore retrocessionaires.

2. Asset-intensive (funded) reinsurance

Supervisory concerns:

- **Complexity:** Multiple jurisdictions, asset managers, investors and reinsurers involved in a transaction.
- **Concentration risks:** Large concentration of assumed risks at the jurisdictional and reinsurer level
- **Conflicts of interest:** AIR to support asset origination and investments in funds controlled by PE owner
- **Recapture risk:** Assets adequacy upon recapture (eg not MA compliant)

Supervisory response:

- Enhanced **monitoring**
- Enhanced **risk management** frameworks
- AIR **pre-approval requirements**
- **Recapture risk** planning, life insurance stress test
- Increased **international cooperation**

3. Macroprudential and financial stability implications

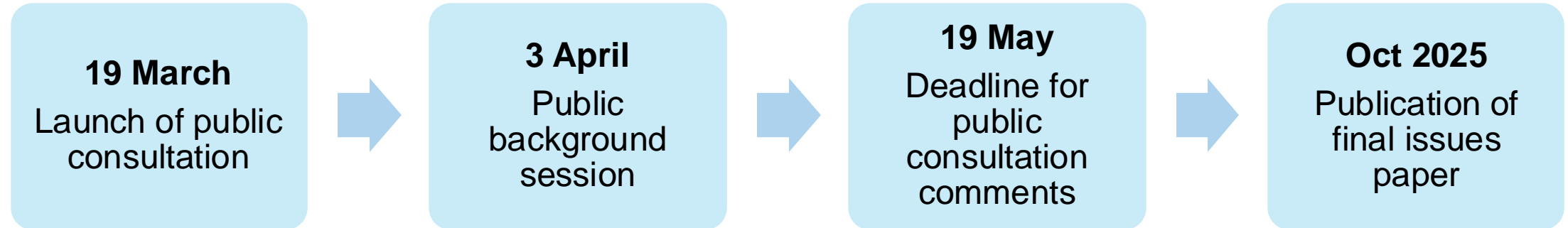
- Currently **limited exposure** to alternative assets and AIR in the global insurance sector at the global level → reduces the risk to global financial stability. However, outliers exist in some regions. Further growth in these areas could however heighten **key risks and financial stability transmission channels**:
 - **Forced liquidation of assets.**
 - **Rapid pullback from lending markets.**
 - **Financial market disruption from mass recapture of AIR.**
- **Interconnectedness with the broader market:**
 - High **leverage** in fund structures increases defaults, magnifies losses, and can trigger fire sales, destabilising insurers and the broader financial system.
 - **Concentration** of AIR transactions in a few large insurers and jurisdictions further heightens systemic risks.
- **Risk mitigation**
 - Closing **information gaps** for better monitoring.
 - Ensure proper **risk assessment** and management.
 - Ongoing **exchanges of best practices**.

4. Review of the IAIS supervisory material:

- **Objective:** identify areas where IAIS supervisory and supporting material could potentially be enhanced.
- **Areas of focus include:**
 - **Information sharing** on reinsurance treaties and outsourcing activities;
 - Controls for managing **conflicts of interest**;
 - Supervision of **concentration** and **counterparty risks**;
 - Technical expertise, effective **ERM** and **compliance** functions;
 - **Supervisory review, reporting** and **public disclosure**, to strengthen monitoring of liquidity risks, cross-border services, outsourcing, complexity of AIR transactions and alternative assets
 - AIR supervision of **recapture risk, collateral requirements, sidecars, total asset requirements**. Supervisory standards for assuming jurisdictions
 - **Independent asset valuation**, investment exposure limits, internal controls, valuation of recoverables;
 - **Macroprudential supervision**; and
 - Embedding AIR complexity into **group-wide supervision** and enhancing **supervisory cooperation**.

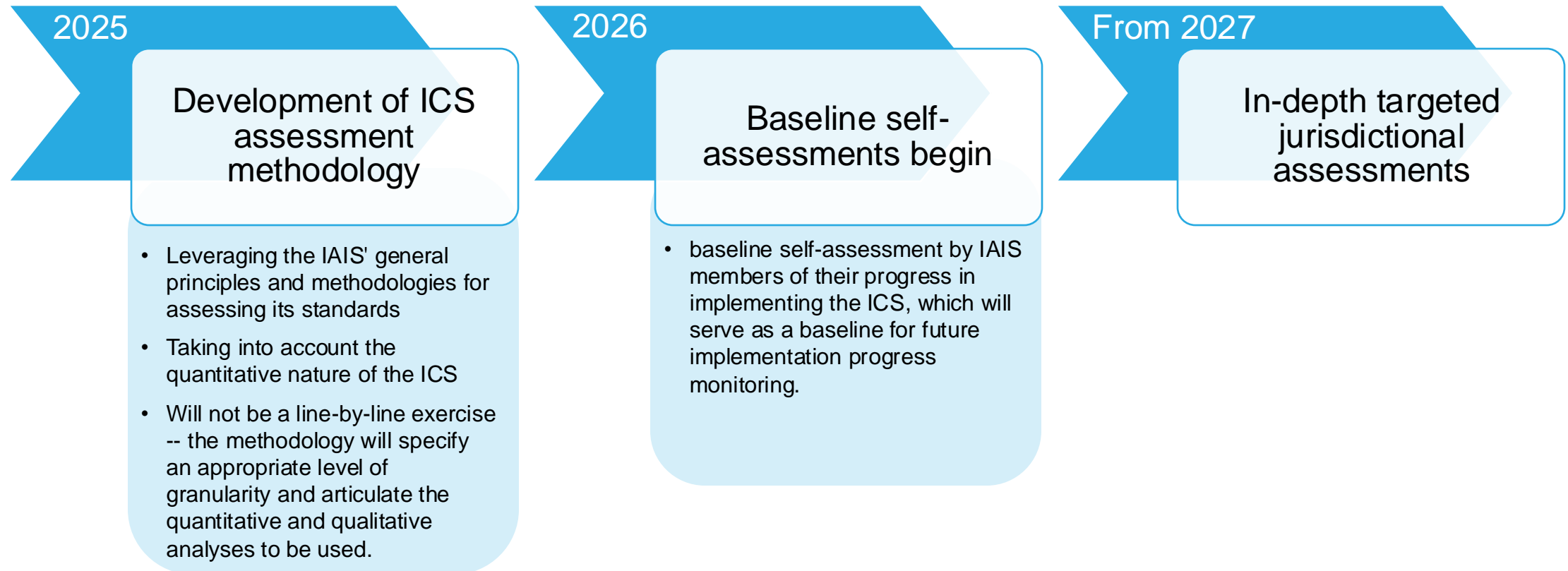


Next steps for Issues Paper



ICS implementation assessment

ICS implementation assessment will follow a **two-step approach**, mirroring the successful model used for the IAIS' implementation assessment of the [Holistic Framework supervisory material](#).



This timeline recognises that it will take some time for jurisdictions to finalise any necessary regulatory and supervisory changes to align with the ICS, taking into account jurisdictional circumstances, and for the IAIS to prepare for implementation assessment.



Climate risk

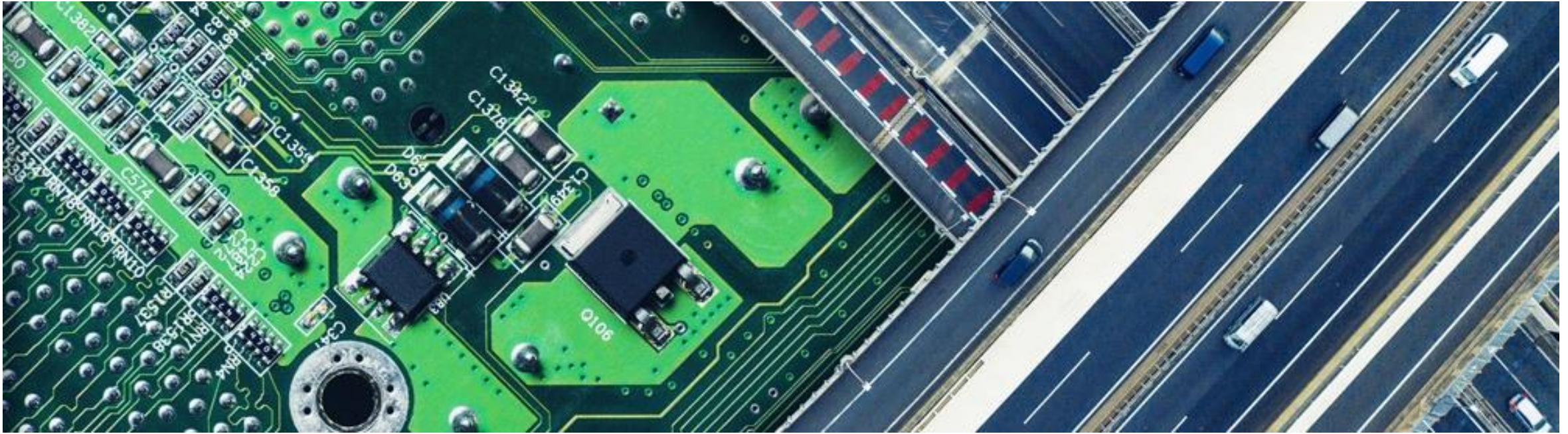
Supervisory practices: Work in this area focuses on **promoting a globally consistent supervisory response to climate change and providing supervisors with the necessary tools** to monitor, assess and address climate-related risks to the insurance sector.

Application Paper on climate risk is expected to be published in April 2025. Consultation process, consisting of four packages, completed in October 2024.

Changes to the Insurance Core Principle Guidance were agreed at the AGM in December.

Data: Climate data elements are now an integral part of the **Global Monitoring Exercise**, examining the sector's exposure to transition risks in investment portfolios as well as the potential materiality of natural catastrophe (NatCat) risks.

Outcomes are annually reported in our Global Insurance Market Report (GIMAR).



Digital innovation

Artificial intelligence: Focused on developing supporting material.

- **Application Paper on supervision of artificial intelligence** (Q3 2025)
 - Governance and accountability; robustness, safety and security; transparency and explainability; and fairness, ethics and redress
- Gathering data as part of the **Global Monitoring Exercise**

SupTech: Sharing emerging practices on SupTech with a focus on understanding effective digitalisation strategies.

- Forum survey and wider membership survey planned

FinTech monitoring: Tracking member work on FinTech developments and broader trends. Understanding what structural impact these changes could have on the global insurance sector.



NatCat protection gaps

The IAIS published a report on **the role of supervisors in addressing natural catastrophe protection gaps** in 2023.

In 2024, we completed joint work with the OECD to support the **G7 publication of a High-Level Framework for Public-Private Insurance Programmes against Natural Hazards**

In 2025, we will

- Publish a Global Insurance Market Report special topic edition, **examining the financial stability implications of NatCat protection gaps**
- Contribute to the **G20 Sustainable Finance Working Group** under the South African Presidency, focused on insurance protection gaps



Q&A

Jonathan Dixon, IAIS Secretary General

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and Assessment



NATIONAL ASSOCIATION OF
INSURANCE COMMISSIONERS

