

## **“The Regulators”: Season 5: Episode 4 – A Conversation on the International Insurance Sector with IAIS Secretary General Jonathan Dixon**

*(Preview) IAIS Secretary General Jonathan Dixon: So, I think as a global association, we play a unique role there. ... [C]limate risks are very real for the insurance sector and that supervisors have to take this very seriously. ... We're all better off as supervisors if we work together at the global level to learn from each other and to find common solutions.*

### **NAIC Asst. Director of International Relations and Policy Ryan Workman:**

Welcome to “The Regulators,” a podcast where we break down important insurance issues facing consumers, regulators, and the industry. I'm Ryan Workman, assistant director of international relations and policy for the NAIC, and I'm honored to sit in as your host for today's episode. As listeners of “The Regulators” know, collaboration and coordination serve as the heart of the NAIC's work. But those values don't end at our own borders. State insurance regulators' mission to protect consumers and keep marketplaces secure and stable also involves working with their international counterparts to tackle issues currently being faced by consumers in the industry, as well as the challenges that are looming on the horizon. It has been high season for international events at the NAIC recently. A few weeks ago in May, we held our flagship international event, the NAIC's International Insurance Forum, which drew over 200 insurance regulators, insurance industry representatives, and other stakeholders to our nation's capital. As that ship has sailed off until next year, we've got another event on the horizon. We are very much looking forward to serving as hosts for the International Association of Insurance Supervisors [IAIS] Committee Meetings and Global Seminar, as well as holding a public update on the EU-U.S. Insurance Dialogue Project, both of which are taking place in June in Seattle. So, as we make our final preparations for the events in Seattle, we wanted to sit down with the IAIS' Secretary General, Jonathan Dixon, to help provide our listeners with greater insights into the IAIS' work and its outlook for the future. So, welcome, Jonathan. I know your schedule is packed. We appreciate you joining us as a panelist at the International Forum. And I know you guys are all getting very busy for the upcoming Committee Meetings and Global Seminar. So, thank you for taking the time to join us today.

**IAIS Secretary General Jonathan Dixon:** Thanks, Ryan. Great to be with you.

**Workman:** Well, thanks, Jonathan. And I think you are our first international guest on “The Regulators.” So, that's quite an honor. I hope you feel special.

**Dixon:** [Laughs] I feel very honored. Thank you very much.

**Workman:** [Laughs] Great. Well, let's get busy and dive right in. Rather than kind of start you off with a softball question, we might as well give you a complicated two parter to start. So, your time at the IAIS dates back to 2009 or so, when you were with the insurance supervisory authority in South Africa. You served as an IAIS Executive

Committee [ExCo] Member and now have moved on to your current role, which is the Association's secretary general in Basel. So, considering all that's taken place over that span of time, you've had quite a front-row seat to see how regulators around the world have confronted some of the most challenging issues that have come over the past years. So, since your start of involvement with the IAIS, how would you say the organization has changed? And, then, what do you think are some of the main lessons insurance supervisors have learned over the past 14, almost 15 years now?

**Dixon:** Well, thanks very much. As you were saying that, I was thinking that that makes me sound quite dated. I guess I've been around a little while, but it's been a great ride, as they say, and some real challenges and wins along the way, though. I guess if I look back and see, you know, the question is, how have things changed. Well, some things have stayed the same. I think the IAIS has very much maintained the core of its role, which is really as a forum for exchange among the global community of insurance supervisors. But, at the same time, I think, you know, what's different is we've become more, I would say, increasingly front and center, and sort of professionalized and assertive, in our role as a key part of, you know, what's called the global financial architecture, which is really designed to promote global financial stability and sound financial institutions. So, specifically, we're part of the global financial architecture of financial sector standard-setting bodies, along with the Basel Committee, IOSCO [International Organization of Securities Commissions], and others, coordinated by the Financial Stability Board, the FSB, that supports the G20's efforts around growth and stability. And, importantly, we bring a critical insurance sector perspective to these global discussions. I mean, looking back, I actually started my life as an insurance supervisor in the midst of the global financial crisis. So, that was great timing.

**Workman:** Perfect, I'd say.

**Dixon:** Yeah. And I remember, actually one of my first experiences with the IAIS was actually in October 2008, which was the annual conference in Budapest, Hungary, where one of my, sort of, starkest memories is one of the U.S. supervisors having to, sort of, appear in a large room of other supervisors explaining what happened with AIG [American International Group]. And I guess specifically that it was essentially a failure of group-wide risk management and governance, but also, I think, consequently a failure of group-wide cross-border supervision. And I think a lot of what has happened in the last 15 years has really been about fixing that. I think it's fair to say that the IAIS was found wanting at that stage. We did not have any standards that dealt with group-wide supervision, let alone anything that dealt with cross-border group-wide supervision. So, since then, a significant amount of energy has gone into the development of what we call the Common Framework for the Supervision of Internationally Active Insurance Groups, or ComFrame, which is a lot shorter. And that really was about recognizing the critical importance of global coordination amongst supervisors and the value of a common language for the supervision of these large global groups. Fast forward to November 2019, we adopted the qualitative elements of ComFrame, which is about, you know, the governance, risk management elements, including measures specifically focused on macroprudential supervision in the form of what we call our Holistic

Framework standards, which was actually endorsed by the FSB in December last year. So, I think it's this package of reforms that has served us very well over the course of recent years of volatile times, you know. First, through the course of COVID-19, now the geopolitical and macroeconomic challenges, we see much better, you know, risk management and governance within insurers, a much stronger supervisory toolbox to assess and mitigate risks really complemented by a global perspective that the IAIS can provide. So, we're now in the final lap of finalizing the quantitative elements of ComFrame, which is the Insurance Capital Standard, or ICS, by the end of next year, which will then further strengthen this cross-border group-wide supervision. But, lastly, just to say, at the same time, we haven't lost focus on serving our Members and really the core of helping them to do supervision better and particularly the topic of responding to emerging and accelerating trends like climate risk, like cyber risk, all of which are increasingly global in nature. So, I think, as a global association, we play a unique role there.

**Workman:** Thanks, Jonathan. Well said. I would agree. I was in that room that you spoke about in Budapest, and that was quite a pivotal moment of the IAIS' history, as the results, kind of, a lot more of the focus, as you've mentioned, on group supervision, on cross-border collaboration and cooperation, macroprudential supervision have definitely been a hallmark of the IAIS over the last decade and plus. So, course, it also means that I was there in 2009. So, I feel pretty old.

**Dixon:** You're also dated.

**Workman:** Yeah. But, amazingly, we look the same age. That's what's crazy about all this. Insurance supervision keeps you young, I guess.

**Dixon:** Yeah.

**Workman:** So, moving on from kind of the IAIS as a whole, I maybe wanted to focus in on your experiences within the IAIS as the secretary general. You started this role back in 2017. So, I wanted to get your thoughts on what part of that role that you enjoy the most. What are things maybe that have been the most surprising about serving as the IAIS' secretary general?

**Dixon:** I suppose, not surprisingly, the aspects of the job that bring both challenges, but also ultimately the most enjoyment, are the people-related aspects. So, I get to work with a wonderful diversity of insurance supervisors from over 200 jurisdictions around the world. And, actually, insurance supervisors are generally very nice and interesting people. So, that's nice. And it's definitely, you know, a community, a family that we have at the global level, which is fantastic. But as secretary general, I think the particular joy that I've got in this period in the role is from witnessing the growth and development of the small Secretariat team that we have here in Basel. So, we're only 36 people, but I think we do punch above our weight. And a big part of my job this past almost six years has been to sort of drive continuous improvement in the efficiency and effectiveness of the support we provide to our Members, with Member services being a big part of our

role, but also, you know, the transparency and quality of our communications and our stakeholder engagement with industry partners, with fellow standards-setting bodies, with consumer groups, etc. So, a lot of it has been about building a really good culture, and I'm really happy and proud with where we are at the moment in terms of a sort of small, mutually supporting team of really talented individuals from around the world who sort of pull together through great teamwork. So, that's on the enjoyment side. In terms of most surprising, I think that would probably be on the Member side. And, of course, I was a Member before I became secretary general, so I know what it's like to be a Member, and I am constantly amazed by how Members are able to actually give so much to the IAIS in terms of time and energy, knowing that for all of them, you know, this is all over and above their actual day jobs. And we've had some real tests of this commitment over recent years. In particular, you know, I think about the sort of crunch negotiations we had around the path forward for ICS in Abu Dhabi in 2019, the challenges of continued international engagement during the COVID years. And what has really amazed me and inspired me, actually, is how our Members, including the NAIC, who play such a leading role here, were able to, in a sense, keep the faith during these times and persevere in our efforts in the knowledge that ultimately we're all better off as supervisors if we work together at the global level to learn from each other and to find common solutions.

**Workman:** Very true. Yeah, I would agree. You know, it's definitely a family feel. Not every family is functional 100% of the time. But, yeah, at the end of the day, there is that spirit of ultimately doing what's in the best interest of everybody collectively. So, that is a great aspect of the IAIS and being part of it. So, yeah, when you started in 2017, you probably didn't think part of your role would be managing the IAIS and the Secretariat staff during a global pandemic. COVID-19 forced every organization to adjust and figure out best practices and pivot to different ways of getting the job done. So, in terms of the IAIS, what did you do to kind of help keep work moving along? And are there any kind of positive changes that you've seen and plan to continue as the world has settled back into a more normal state of operations?

**Dixon:** Yeah. So, when I started the job in 2017, I sort of jokingly said, "Well, keeping my fingers crossed we don't have any kind of global crisis during my term." But that didn't really work out.

**Workman:** Should have crossed more fingers.

**Dixon:** Yeah. But, seriously, I think despite, so, on COVID, I think despite the challenges of not being able to meet in person and so on, I think what sustained us was definitely the heightened recognition that at times like those that we needed global cooperation and coordination more than ever. I mean, if I think back, it's quite amazing, you know, in the height of the crisis, our ExCo was meeting virtually probably every two weeks. So, it was an incredibly intense time, despite the huge challenges that supervisors were facing on the domestic front dealing with the impact of the pandemic. Fortunately, we didn't see a waning off of participation or commitment to the IAIS' work, which was great. We managed this partly, I think, by quickly reprioritizing. So, we shifted

the timelines back for the less-urgent matters to make space for the focus at that time, which was on assessing the impact of COVID-19 through what was a very timely finalization of our Holistic Framework and our Global Monitoring Exercise. And also to focus on the sharing of supervisory practices that different jurisdictions were adopting to deal with the impact of COVID-19. I mean, our support team had to very quickly become experts in virtual meeting tools, and our staff had to adjust to the new work-from-home requirements. But I think being a global organization, where much of our work was in any case before the crisis done sort of on the road, thankfully it wasn't too much of an adjustment. And I think, like others, we did learn some great lessons through the experience. Definitely about how the old ways of doing things were actually probably not more efficient. So, coming out of it, we have stuck with flexibility in terms of, for instance, working from home. Our staff like it, the flexibility. And for the nature of our work, it can actually be more efficient. And we've also revisited our committee and subcommittee meeting and stakeholder engagement formats to have much more of a balance between in-person and virtual meetings and events, also recognizing very important environmental considerations. So, I think there are real benefits to virtual meetings, not only environmental but also in the breadth of our reach to our Members through virtual means, especially those from emerging markets and developing economies. But, at the same time, we recognize the huge benefits of still meeting in person every now and again to sort of maintain the social capital and the networks that are so important and so much part of the lifeblood of a global association like ours. So, it's really been about finding that right balance.

**Workman:** Very true. And I would say one thing IAIS Members have learned over the span of COVID and moving out of it is how to functionally use Webex and other video-conferencing tools. I think it was a little rocky when we first were all forced into that format. But I think we are all pretty much experts at this stage. Well, yeah, so, we had, you know, as you mentioned, when you started your career, it was at the start of the financial crisis. Now we've covered the COVID global pandemic crisis. So, it's clear, you know, the world's not safe from, you know, no crises ever happening again. But I guess kind of looking at the current insurance landscape and the risks that are out there, what would you say is maybe the one top challenge, a top risk, and a top opportunity that's facing the insurance sector?

**Dixon:** Hmm. Well, I mean, starting with the challenges, I mean, there are many for this at the moment.

**Workman:** Just get one. Just one.

**Dixon:** So, obviously, the global economy and, you know, not only the very challenging macro environment, but also the pressures on the financial system, particularly what we've seen in the banking sector. So, that's why we've got really a lot more heightened activity in this area of risk assessment and through our Global Monitoring Exercise and collectively discussing amongst supervisors. But I think probably more broadly and more long term, I'd say that the key challenge, sort of, a top challenge that the sector is facing, is climate change. And we've seen publications lately, like from the IPCC

[Intergovernmental Panel on Climate Change], which made for some grim reading here, and I think the international community is falling short on its commitments. And we probably are looking at more extreme climate risks. And for us, as insurance supervisors, it's a stark reminder that climate risks are very real for the insurance sector and that supervisors have to take this very seriously and that insurers, both in their role as underwriters and investors, business models are particularly impacted by climate change. But on the other hand, insurers can also be important agents for change in identifying, mitigating, and managing climate risk. So, for all of these reasons, I think this is a top challenge that the sector has to take on. It's a complicated challenge, because insurers are experienced in handling risks, but these are mostly, you know, short-term risks, macro, operational, etc. Whereas for climate change, it's a much longer horizon. The climate science is complex and evolving. And, so, insurers need to find new ways to understand and manage how this risk could impact their business. So, for all of these reasons, that's why the IAIS has committed significant resources to this topic in recent years and I think for the foreseeable future. And that covers, you know, the work that we do to better understand these risks, in particular through our Global Monitoring Exercise, but also the support we give to supervisors on how best to address these risks in the insurers that they supervise through sort of guidance material and capacity building and in the future, you know, potential work on supporting better climate-related disclosures and the monitoring of transition planning. And we also are coordinating very closely with the Financial Stability Board, the FSB, and other standards-setting bodies on this. And one last word is that most recently, we also issued a clear statement on our commitment to explore the role that insurance supervisors can play in helping the insurance sector and the public sector to address natural catastrophe protection gaps together with our partners. So, it's a key challenge, but I think it's one that we are facing head on. Then I think you asked about top risks. Again, many to choose from, but I think I would probably say cyber risk. And we know cyber risk is both an operational and an underwriting risk for insurers. But probably, you know, what I'm thinking about particularly is from the perspective of operational resilience, because cyber risk has become so much more increasingly important considering, you know, rapidly evolving technology and innovation, changes to the way people work, increasing cyber threat landscape. So, you know, this is why it's also a focus of ours. And last month we published an issues paper on insurance sector operational resilience, and it identified key issues for supervisors in how to gain comfort on the framework established by insurers to deliver on cyber resilience. And it's a challenge, because cyber risks are continually evolving and growing, and the forward-looking implications of potential threats are difficult to quantify, which makes it difficult to supervise. There's also issues around consistency of approaches for assessing cyber resilience across insurers and jurisdictions and resourcing cyber expertise, all of which I think maybe there's a role for global coordination on taking that forward. I actually think we've been lucky to have not yet experienced a large-scale cross-border cyber-attack on insurers. But if and when it happens, we need to make sure that the insurance sector, including supervisors, are prepared. So, that's why we're investing resources in it. We are very involved in the cross-sectoral work led by the FSB, and through our Operational Risk Task Force, we're also analyzing the evolving nature of these risks and how best to support insurance supervisors in this space. And then lastly, I guess, the positive side,

top opportunities. And, for me, I think this is around digital innovation and advancements in the fintech space, you know, brings definite potential benefits to insurers but also to policyholders and insurance supervisors. Particularly, I'm thinking around the financial inclusion aspects, where advancements in technology could definitely help promote the development of more tailored products, which are more affordable and fit for purpose to serve the needs of more vulnerable or underserved policyholders, making access to insurance easier. Although, I would say we haven't seen as much progress as we would have hoped for, I think, in that area yet. I'm also thinking about supotech, which from a supervisory perspective I think this holds great potential, as well, about how supervisors can interact with the insurers they supervise. And I do think there's also room for more global collaboration on this. And then I guess lastly, just to flag, of course, artificial intelligence is a particular focus at the moment, and I do think that the implications and opportunities of AI will be taking up a far greater portion of our work going forward.

**Workman:** Well, thanks. Glad you could end us there on a higher note,-although, you know, reading about all these changes and with ChatGPT, I'm kind of concerned that maybe the next season of "The Regulators," it'll just be two chatbots talking to each other. Until then, we'll make the most of it. But, yeah, clearly lots of challenges, risks, and opportunities out there for the insurance sector and for things for insurance supervisors to address and to do so through the IAIS. So, one thing, you know, one challenge, I guess, or challenge and opportunity with the IAIS is the size of its Membership. It's got 200 Members from over 200 jurisdictions. I think that's about 140 countries, you know, from all across the globe. You know, we have a similar situation at the NAIC. We've got 56 Members with different market sizes, populations, geography, and so on. So, you know, having a diversity of Membership certainly has its challenges, but, again, also provides a number of strengths. You know, as the IAIS does its work, there's obviously a balance between, you know, those major markets and other Members. So, what do you do, what does the IAIS do to make sure that there is engagement from the smaller markets, especially the emerging markets and developing economies [EMDE]?

**Dixon:** Mmm. No, well, that's a great question and an important one, because emerging markets and developing economies make up more than half of all our Members in the IAIS. And I think we've always said that diversity of Membership is one of our key strengths. But the challenge now is to maximize this potential through ensuring that we embed an inclusive approach to the way that we go about our work. And as a supervisor myself, from an EMDE jurisdiction, that's obviously an issue close to my heart. So, we do have a number of mechanisms already in place to strengthen inclusivity, including a dedicated Executive Committee vice chair for EMDE engagement. We have regular EMDE virtual meetings to provide a platform for supervisors to discuss issues and trends impacting their jurisdictions and also to connect them with our key implementation partners, like the Access to Insurance Initiative to discuss knowledge gaps and supervisory capacity building. Also, we try to ensure that EMDE Member views feed into our work program and our strategic planning through active outreach. But that said, I think we can do more, and, actually, we have a

dedicated workstream that is looking at how the IAIS can further strengthen our own diversity, equity, and inclusion, with a big focus on better inclusion of the voice of smaller Members, including EMDE Members. So, there's some exciting ideas which are coming through, which we'll be able to discuss a bit further in Seattle and then share more broadly soon.

**Workman:** So, yeah, we'll be talking a lot of things in Seattle, including getting kind of our work underway at the IAIS on its next five-year strategic plan. At the NAIC, we're kind of in a process of our own starting our next three-year strategic plan, called *State Connected*. With the IAIS, we have the Strategic Plan Financial Outlook, which the current one ends, I believe, in 2024. So, maybe I'll ask you to maybe whip out your crystal ball and take a look into what the future holds for the IAIS.

**Dixon:** Yeah. So, luckily, I don't need the crystal ball too much, because we have already made some decent progress on this, on the development of our next strategic plan, firstly, in the input phase. So, we are very much a member-driven organization. So, we've been engaging already this year with our Membership to elicit views on the key elements of our next strategic plan. But we'll also want to hear from stakeholders. So, shortly before our Global Seminar in Seattle, so, we're talking a couple of weeks now, we'll publish a stakeholder survey, which would encourage stakeholders to respond on what they think we should be looking at in the next five-year period. And we'll also have some panel sessions during the Global Seminar in Seattle to have a bit of a discourse on this. I think what we're hearing to date is that we probably don't anticipate our high-level goals changing that much. I think they really do capture what are the fundamentals of the IAIS around, you know, assessing vulnerabilities, responding to those, looking at implementation of our standards. So, it will probably will be more evolution than revolution. There's also a recognition that our existing strategic themes, like the ones I mentioned, climate, cyber, fintech, will remain relevant. But we also need to consider how we balance a focus on these enduring themes while ensuring that we don't overlook what may be emerging. And I think we also need to sort of focus our attention on work that really makes an impact. In other words, where there is a distinct insurance sector perspective that we can add, as well. But, you know, we are at a bit of an inflection point, so we will, by 2025, have completed, you know, the key global reforms I started out talking about, like the ICS. And we'll have to think about, you know, what the IAIS of the future looks like. You know, I would imagine we will continue to have a strong emphasis on the monitoring of vulnerabilities and addressing those vulnerabilities in the global insurance sector, you know, the sort of key aspect of our role in the global financial architecture for financial stability that I referenced earlier, while at the same time looking to see how we can continue to strengthen our Member support. Particularly, I would think, you know, we've developed good, strong standards. We've increasingly developed good guidance. Now, perhaps, we need to think a little bit about how do we turn that guidance into practical application on the ground in a way that allows domestic supervisors to maybe even leapfrog a bit in their supervisory practices by learning from global peers.



**Workman:** Yeah, I would agree with you, Jonathan. I think, you know, the hard work and dedication that the IAIS Secretariat, the Members have put in over the last ten, almost fifteen years on developing some of these key policy areas on group supervision, on financial stability and macro-prudential supervision have certainly paid off and lay a good foundation for the Association in the future to kind of look at those emerging issues, to continue to focus on the fundamentals, but also kind of provides an opportunity for the IAIS to maybe pivot a bit more and kind of see what else it can do to support its Members and build supervisory capacity. And, so, the NAIC is happy to be part of that and looks forward to contributing to those efforts. So, I think we kind of are at the end of the questions. But before I let you go, I think we've got time to play a little game on the podcast that we refer to as "Regulator Risk Roulette."

**Dixon:** Hmm. Sounds ominous.

**Workman:** Yeah. Yeah, it totally is. So, it is a time-honored tradition. So, you should be proud to be part of this. And it's a chance for listeners to get to know a little different side of insurance regulators. So, there are six categories on the wheel: Risky Business, Keep It Professional, Childish Things, Very Interesting, Getting Personal, and That's Entertainment. So, we'll spin the wheel once, and the category it lands on, there'll be a question, and I will pose that to you. So, Jonathan, do you understand the rules? Are you ready to play?

**Dixon:** I'm ready.

**Workman:** All right. Let's spin the wheel.

(Wheel spins.)

**Workman:** All right. Well, it landed on Keep It Professional. Jonathan, your question is, other than insurance or public service, what profession would you most like to be in?

**Dixon:** I have to say, my aspirations are far in excess of my abilities. In a dream world, I would be, you know, able to pick up a microphone and impress people with the lilting tones of my voice. But, sadly, that's a very distant dream.

**Workman:** Well, I mean, nothing holds you back from making that a reality. I mean, you might not be able to make a profession out of it, but, yeah, you could start maybe picking up some lounge gigs down in the Trois Rois in Basel some night.

**Dixon:** Yeah. Yeah. I probably would be on the headline quite quickly.

**Workman:** Well, all right, well, then let's not quit your day job and keep it in the insurance realm and public service for the time being. All right. Well, thanks again, Jonathan, for joining me on "The Regulators." Appreciate your time. And thank you all for listening. Join us each month and subscribe to "The Regulators" wherever you get your podcasts. We'll see you next time. Thanks.