

Key Attributes Assessment Methodology (KAAM) for the Insurance Sector: scope and application during the period of suspension of G-SII identification

1. Scope of the Key Attributes

The FSB has finalised the insurance *Key Attributes Assessment Methodology (KAAM) for the Insurance Sector* after the draft KAAM was used in a pilot Financial Sector Assessment Program (FSAP).¹

The Key Attributes² (KAs) states that “Any financial institution that could be systemically significant or critical if it fails should be subject to a resolution regime” consistent with the KAs. (Section I, p. 5). Further, Annex II, Resolution of Insurers, states:

- Insurance or reinsurance companies, groups and conglomerates that could be systemically significant or critical if they fail (hereinafter collectively referred to as “insurers”) should therefore be subject to resolution regimes that meet the standard set out in the Key Attributes. Consistent with the scope of the Key Attributes set out in KA 1.1 the term “insurer” also includes holding companies and significant non-regulated operational entities within a financial group or conglomerate that are significant to the business of the group or conglomerate; and branches of foreign insurers. (p.75)
- Crisis Management Groups (CMGs)³ and institution-specific cooperation agreements (COAGs) should be maintained and developed for Global Systemically Important Insurers (G-SIIs). (KAs 8, 9). (p. 80)
- Any insurer that could be systemically significant or critical upon failure, and at a minimum all G-SIIs, should be subject to regular resolvability assessments that are conducted in accordance with KA 10 (p. 80) and with I-Annex 3, Resolvability Assessments.

¹ IMF (2019) *France: Financial Sector Assessment Program-Technical Note-Key Attributes of Effective Resolution Regimes for Insurance Companies*, October.

² FSB (2014) *Key Attributes of Effective Resolution Regimes for Financial Institutions*, October. Includes Annexes containing sector-specific guidance that set out how the KAs should be applied for insurers and financial market infrastructures.

³ Following the adoption of the IAIS holistic framework, supervisors of Internationally Active Insurance Groups (IAIG) are required to have in place and maintain Crisis Management Groups (CMGs) for IAIGs with the objective of enhancing preparedness for, and facilitating the recovery and resolution of, an IAIG.

- All insurers that could be systemically significant or critical upon failure, and at a minimum all G-SIIs, should be subject to a requirement for an ongoing process of recovery and resolution planning. (KA 11) (p.82).

In July 2013, the FSB, in consultation with the International Association of Insurance Supervisors (IAIS) and national authorities, identified an initial list of nine G-SIIs using an assessment methodology developed by the IAIS. The policy measures that should apply to them included the recovery and resolution planning requirements for G-SIFIs set out in the *Key Attributes*.⁴

In November 2019, The Financial Stability Board (FSB) welcomed the finalisation and publication of the IAIS' Holistic Framework for Systemic Risk in the Insurance Sector, for implementation in 2020.⁵ In light of the finalised holistic framework, the FSB, in consultation with the IAIS and national authorities, has decided to suspend G-SII identification as from the beginning of 2020.

In November 2022, the FSB will, based on the initial years of implementation of the holistic framework, review the need to either discontinue or re-establish an annual identification of G-SIIs by the FSB in consultation with the IAIS and national authorities.

2. Application of the KAs and the KAAM for the Insurance Sector during the period of suspension of G-SII identification

The KAs continue to apply during the suspension period to any insurer that could be systemically significant or critical in failure. National authorities may apply to certain insurers the requirements specific to G-SIFIs (CMG, COAG and Resolvability Assessments). In the event of a 2022 decision to discontinue the G-SII list, the FSB will review the scope of application of G-SIFI specific requirements in consultation with the IAIS.

3. FSAP Assessments

Home authorities of insurers that could be systemically significant or critical in failure should encourage the International Monetary Fund (IMF) and World Bank to evaluate insurance resolution regimes as part of future FSAPs using the methodology. (The decision about whether to conduct such an assessment will be by agreement between the IMF and the World Bank staff and the national authorities, taking into account the overall priorities of the FSAP).

⁴ FSB (2013) *Global systemically important insurers (G-SIIs) and the policy measures that will apply to them*, July.

⁵ FSB (2019) press release *FSB welcomes insurance holistic framework*, November.