# ICP Questionnaire – ICP 13 Reinsurance and Other Forms of Risk Transfer

This ICP questionnaire is based on ICP 13 version 2017.

## **Introduction**

For each question, choose the response that most closely corresponds to the situation in YOUR JURISDICTION and YOUR AUTHORITY. Some questions ask about the actual experience in YOUR JURISDICTION during the last three years. Please respond based on your best estimate of what the actual experience has been.

In this survey (as in the ICPs), the term “legislation” is used to include both primary legislation (which generally requires full legislative consent) and secondary and other forms of legislation, including rules and regulations which have the legal force of law but are usually the responsibility of the supervisor.

It is recommended that you prepare all answers to this questionnaire in advance and obtain approval in your supervisory authority before entering the results in the ICP Self-Assessment Tool (SAT) via [www.icp-selfassessment.org](http://www.icp-selfassessment.org).

Please note that in contrast to other ICP assessment processes the ICP SAT only takes into account your answers to multiple choice questions without any qualitative review. Therefore the results are only high level and non-binding.

## **Questionnaire**

**13 The supervisor requires the insurer to manage effectively its use of reinsurance and other forms of risk transfer. The supervisor takes into account the nature of reinsurance business when supervising reinsurers based in its jurisdiction.**

**13.1 The supervisor requires ceding insurers to have a reinsurance programme that is appropriate to their business and part of their overall risk and capital management strategies.**

1. How have the requirements related to the reinsurance and risk transfer strategies of cedants been established in YOUR JURISDICTION? (More than one response from among numbers 1 and 2 may be entered, where applicable.)
	1. The requirements have been explicitly established by legislation.
	2. The requirements have been broadly established by legislation and further elaborated through supervisory guidelines.
	3. The requirements have been broadly established by legislation, but without further elaboration through supervisory guidelines.
	4. The requirements have been established through supervisory guidelines.
	5. There are no specific requirements, but YOUR AUTHORITY advises insurers when it has concerns regarding their reinsurance and risk transfer strategies.

There are no such requirements or expectations in YOUR JURISDICTION.

1. To what extent do the reinsurance requirements in YOUR JURISDICTION address the need for a cedant’s reinsurance and risk transfer strategies to be appropriate and for the cedant to have systems, procedures, and controls to support implementation of such strategies, for example, as described in the guidance to Standard 13.1?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1. Fully and explicitly addressed | 2. Addressed in general terms | 3. Partly addressed | 4. Not addressed |
| A. Reinsurance and risk transfer strategies which are appropriate to the nature, scale and complexity of the insurer’s business |  |  |  |  |
| B. Reinsurance and risk transfer strategies which are part of the insurer’s wider underwriting strategy |  |  |  |  |
| C. Reinsurance and risk transfer strategies which are part of the insurer’s wider capital management strategy |  |  |  |  |
| D. Systems and procedures for ensuring that the insurer’s reinsurance and risk transfer strategies are implemented and complied with |  |  |  |  |
| E. Appropriate systems and controls over the insurer’s risk transfer transactions |  |  |  |  |

1. How does YOUR AUTHORITY review a cedant’s reinsurance and risk transfer strategies, systems, procedures, and controls?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1. Reviews are regularly undertaken using off-site monitoring, which is sometimes supplemented by on-site inspection even when there are no supervisory concerns | 2. Reviews are regularly undertaken using off-site monitoring, which is supplemented by on-site inspection in cases of actual or potential supervisory concerns | 3. Reviews are undertaken only in cases of actual or potential supervisory concerns | 4. Reviews are seldom undertaken, even in cases of actual supervisory concerns | 5. Reviews are never undertaken |
| A. Reinsurance and risk transfer strategies |  |  |  |  |  |
| B. Systems and procedures for ensuring that the insurer’s reinsurance and risk transfer strategies are implemented and complied with |  |  |  |  |  |
| C. Systems and controls over the insurer’s risk transfer transactions |  |  |  |  |  |

1. During the last three years, to what extent has YOUR AUTHORITY taken appropriate action to rectify the situation when there were supervisory concerns regarding a cedant’s reinsurance and risk transfer strategies, systems, procedures, or controls?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1. Most concerns were resolved in a timely manner | 2. Most concerns were resolved, but not always in a timely manner | 3. Some concerns were resolved | 4. Most concerns were not resolved | 5. This question is not applicable, because no such concerns arose during the last three years |
| A. Concerns regarding reinsurance and risk transfer strategies |  |  |  |  |  |
| B. Concerns regarding systems and procedures for ensuring that the insurer’s reinsurance and risk transfer strategies are implemented and complied with |  |  |  |  |  |
| C. Concerns regarding systems and controls over the insurer’s risk transfer transactions |  |  |  |  |  |

**13.2 The supervisor requires ceding insurers to establish effective internal controls over the implementation of their reinsurance programme.**

1. To what extent are cedants required to be transparent to YOUR AUTHORITY in their reinsurance arrangements and associated risks?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1. Always required where relevant | 2. At the request of YOUR AUTHORITY, which usually makes such requests where relevant | 3. At the request of YOUR AUTHORITY, which sometimes makes such requests where relevant | 4. At the request of YOUR AUTHORITY, which seldom if ever makes such requests | 5. Not required |
| A. Cedants provide a detailed description of their reinsurance programs |  |  |  |  |  |
| B. Cedants provide an analysis of the risks associated with their reinsurance arrangements |  |  |  |  |  |
| C. Cedants make reinsurance contracts available for review |  |  |  |  |  |
| D. Cedants provide information regarding the accounting treatment of their reinsurance arrangements |  |  |  |  |  |

1. To what extent does YOUR AUTHORITY use information provided by cedants regarding their reinsurance arrangements and associated risks to understand the economic impact of reinsurance and other forms of risk transfer arrangements in place?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1. Always | 2. Usually | 3. Sometimes | 4. Seldom if ever |
| A. YOUR AUTHORITY assesses whether the substance of reinsurance contracts entered into by the cedant is reflected in its reporting |  |  |  |  |
| B. YOUR AUTHORITY assesses the economic impact of the reinsurance program on the cedant |  |  |  |  |

**13.3 The supervisor requires ceding insurers to demonstrate the economic impact of the risk transfer originating from their reinsurance contracts.**

1. To what extent does YOUR AUTHORITY take into account the nature of supervision of reinsurers and other counterparties (to reinsurance or other forms of risk transfer arrangements)?
	1. YOUR AUTHORITY explicitly takes this into account when reviewing the reinsurance arrangements and assessing the solvency of cedants, and also when entering into supervisory recognition arrangements.
	2. YOUR AUTHORITY explicitly takes this into account when reviewing the reinsurance arrangements and assessing the solvency of cedants, but has not entered into any supervisory recognition arrangements relevant to the supervision of reinsurers.
	3. YOUR AUTHORITY explicitly takes this into account when reviewing the reinsurance arrangements of cedants, but not when assessing their solvency.
	4. YOUR AUTHORITY explicitly takes this into account when assessing the solvency of cedants, but not when reviewing their reinsurance arrangements.
	5. YOUR AUTHORITY explicitly takes this into account when registering/authorising foreign reinsurers to operate in your jurisdiction on a cross-border basis
	6. YOUR AUTHORITY does not directly take this into account, but explicitly requires insurers to do so in their own assessments of counterparties.
	7. YOUR AUTHORITY does not take this into account, nor does it explicitly require insurers to do so in their own assessments of counterparties.
	8. This question is not applicable, because insurers are prohibited from transferring risks outside YOUR JURISDICTION, either directly or through retrocession.

**13.4 When supervising ceding insurers purchasing reinsurance across borders, the supervisor takes into account the supervision performed in the jurisdiction of the reinsurer.**

1. When are parties to reinsurance contracts (that include insurers in YOUR JURISDICTION) required to document **the principal economic and coverage terms and conditions** agreed upon by the parties?
	1. It is explicitly required that documentation be in place in a timely manner (i.e. normally, prior to the inception of coverage under the reinsurance contract).
	2. It is not explicitly required that documentation be in place in a timely manner (i.e. normally, prior to the inception of coverage under the reinsurance contract, but YOUR AUTHORITY reviews documentation practices and has confirmed that this always occurs).
	3. It is not explicitly required that documentation be in place in a timely manner (i.e. normally, prior to the inception of coverage under the reinsurance contract, but YOUR AUTHORITY reviews documentation practices and always intervenes with insurers if it identifies instances where this has not occurred).
	4. It is not explicitly required that documentation be in place in a timely manner (i.e. normally, prior to the inception of coverage under the reinsurance contract, but YOUR AUTHORITY usually intervenes with insurers if it identifies instances where this has not occurred).
	5. It is not explicitly required that documentation be in place in a timely manner (i.e. normally, prior to the inception of coverage under the reinsurance contract, but YOUR AUTHORITY sometimes intervenes with insurers if it identifies instances where this has not occurred).
	6. It is not explicitly required that documentation be in place in a timely manner (i.e. normally, prior to the inception of coverage under the reinsurance contract, and YOUR AUTHORITY seldom if ever intervenes with insurers if it identifies instances where this has not occurred).
2. When are parties to reinsurance contracts (that include insurers in YOUR JURISDICTION) required to finalise **the formal reinsurance contract**?
	1. The formal reinsurance contract must be finalised prior to the inception of coverage under the reinsurance contract.
	2. The formal reinsurance contract must be finalised prior to or as soon as possible (but not more than one month) after the inception of coverage under the reinsurance contract.
	3. The formal reinsurance contract must be finalised prior to or as soon as possible (but not more than two months) after the inception of coverage under the reinsurance contract.
	4. The formal reinsurance contract must be finalised prior to or as soon as possible (but not more than three months) after the inception of coverage under the reinsurance contract.
	5. The formal reinsurance contract must be finalised prior to or as soon as possible after the inception of coverage under the reinsurance contract. There is an explicit deadline for doing so, which is more than three months after the inception of coverage.
	6. The formal reinsurance contract must be finalised prior to or as soon as possible after the inception of coverage under the reinsurance contract. However, there is no explicit deadline for doing so.
	7. There is no requirement in YOUR JURISDICTION regarding finalisation of the formal reinsurance contract.

**13.5 The supervisor requires the ceding insurer to consider the impact of its reinsurance programme in its liquidity management.**

1. How does YOUR AUTHORITY assess whether a cedant controls its liquidity position to take account of the structure of risk transfer contracts and likely payment patterns arising from these? (More than one response may be entered, where applicable.)
	1. As part of its review of the cedant’s reinsurance and risk transfer strategies
	2. As part of its review of the cedant’s reinsurance and risk transfer systems, procedures, and controls
	3. As part of its review of the cedant’s reinsurance program or reinsurance contracts
	4. As part of its review of the cedant’s management of liquidity risk
	5. YOUR AUTHORITY does not assess whether a cedant controls its liquidity position to take account of the structure of risk transfer contracts and likely payment patterns arising from these

**13.6 In jurisdictions that permit risk transfer to the capital markets, the supervisor understands and assesses the structure and operation of such risk transfer arrangements, and addresses any issues that may arise.**

1. Where insurance risk is being transferred to the capital markets, to what extent is YOUR AUTHORITY able to understand the structure and operation of such arrangements (referred to in this question and in the guidance to standard 13.6 as the “SPE”, or special purpose entity) and to assess issues which may arise?

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 1. Always | 2. Usually | 3. Sometimes | 4. Seldom if ever | 5. Not applicable, because there has been no transfer of insurance risk to the capital markets in YOUR JURISDICTION in the past three years | 6. Not applicable because the transfer of insurance risk to the capital markets is not permitted in YOUR JURISDICTION |
| A. YOUR AUTHORITY is able to assess whether the SPE is fully funded |  |  |  |  |  |  |
| B. YOUR AUTHORITY is able to assess whether the assets of the SPE are being prudently managed |  |  |  |  |  |  |
| C. YOUR AUTHORITY is able to assess whether the claims of any investors in the SPE are subordinated to the cedant |  |  |  |  |  |  |
| D. YOUR AUTHORITY is able to assess whether investors in the SPE have no recourse to the cedant in the event of an economic loss to the SPE |  |  |  |  |  |  |
| E. YOUR AUTHORITY is able to understand the role of all parties to the SPE arrangement |  |  |  |  |  |  |
| F. YOUR AUTHORITY is able understand the systems, controls, and risk management of the SPE and to assess related issues which may arise |  |  |  |  |  |  |
| G. YOUR AUTHORITY is able understand the provisions in place for the unwinding of the SPE and to assess related issues which may arise |  |  |  |  |  |  |

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