

The View Towards Field Testing



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Field Testing Task Force Mandate

- Field Testing of ComFrame will consist of impact studies designed to assess the draft ComFrame.
- The Field Testing Task Force (FTTF)'s **overall objective** is to:
 - **perform impact studies** to test whether ComFrame promotes effective group-wide supervision of IAGs and whether the elements lead to practical benefits without undue burden
 - **assess the results** of such field testing to determine any evidence-based changes that are necessary to the draft ComFrame.
- Field testing will be conducted using the conduit of group-wide supervisory and supervisory colleges
- This presentation provides initial thoughts and preliminary considerations



Who is the Field Testing Task Force

- **EIOPA** – Carlos Guiné
 - **European Commission** - Claude Bocqueraz
 - **France** – Francois Tempé
 - **Germany** – Meta Zähres
 - **Italy** - Stefano Pasqualini and Francesco Mauro
 - **South Africa** - Ian Marshall (Co Vice-Chair)
 - **Switzerland** – Urs Karlen
 - **UK** - Paolo Cadoni (Chair) and Anthony Brown
 - **US FIO** - Tom Finnell (Co Vice-Chair)
 - **US NAIC** – Ramon Calderon
 - **US State of Connecticut** – John Loughran
- * other jurisdictions indicated interest depending on location of IAIGs participating in Field Testing



Governance

- **FTTF reports to the Technical Committee**
 - Progress report at each Technical Committee meeting
 - Will request steering where necessary
- **FTTF will liaise with existing subcommittees:**
 - In designing field tests
 - In determining changes that need to be made to ComFrame based on the results of field testing



Phases of Field Testing

- Two phases identified in the mandate
 - **Phase 1** – i.e. overall design of the exercises
 - **Phase 2** – i.e. testing
- Caveat - these phases may not be so neatly sequential and the design phase for some of the parts of ComFrame to be tested is likely to be concurrent with actual testing for others
- This means we will not be testing everything in ComFrame at the same time reducing a potential expected burden on IAIGs.
- Subject to TC approval, the testing phase is likely to be broken into four parts:
 - **Module 1** – identification of IAIGs, scope of supervision and identification of group-wide supervisors
 - **Module 2** – Qualitative requirements for IAIGs
 - **Module 2** – Quantitative requirements for IAIGs
 - **Module 3** – Requirements for supervisors



Transparency vs. confidentiality

- Mandate requires transparency, but most of the activities of the FTTF will involve dealing with confidential information
- The key question is how to strike the right balance between transparency and confidentiality
- Priorities for the FTTF are effective dialogue with:
 - IAIG colleges and group-wide supervisors;
 - the Observer community; and
 - more specifically, with the potential IAIG testing candidates
- FTTF needs to provide stakeholders with opportunities to engage at an early stage
- Exact details of engagement with Observers are being determined



Initial focus of field testing task force

- Project planning – long term, mid-term and short term plans
 - For example:
 - identifying **what** type of exercises (testing) need to be carried out
 - **when** it is appropriate to carry them out; and
 - **How** they should be carried out
- Identifying IAIGs and group-wide supervisors who are willing to participate in field testing
- Confidentiality – identification of practical approach to dealing with confidentiality issues
- Assessing Module 1 - particularly the criteria for identification of IAIGs - this will be needed early in the testing process probably by the end of this year



The ideal sample of IAIGs for field testing

TC 5.3 WPC 5.2

- The sample of IAIGs involved in field testing should ideally exhibit the following characteristics:
 - **Geographical diversity** of head office
 - Different **business models** (particularly life, non-life, combined, reinsurance)
 - Different **legal structures** – shareholder vs mutual
 - Different **governance structures** – along the continuum from highly centralised to highly decentralised
 - Different levels of **international activity** or **complexity**
 - Different **accounting regimes**
- Willingness to be involved in testing is not only needed from the IAIG but also the group-wide supervisor who will have a key role
- The supervisory colleges will also have an essential role because ComFrame needs to work for host supervisors



Topics that require further thoughts and discussion

- The FTTF is discussing the possibility to sample different IAIGs according to the type and aim of the field testing exercise
- The FTTF needs to have access to the views of potential IAIGs, even before all volunteers are identified – possible role for participants in CFO and CRO Dialogue in March
- Setting out expectations for field testing – more ‘myth busting’
 - e.g. participation to be on a best efforts basis no need for extensive audit assurance etc.
- Development of methodology to assess benefits and costs of the proposals in ComFrame



What field testing will not be

First myth: Field Testing will involve 6-month long on-site examinations of IAIGs.

- There is no intention for FTTF members or for group-wide supervisors to conduct lengthy on-site examinations
- However, face-to-face discussions with IAIGs to discuss data/results/process may be needed all along the field testing - for example a day visit
- Group-wide supervisor involvement in interactions will be essential



What field testing will not be

Second myth: Field testing is a very resource intensive exercise with no benefits for IAIGs

- Opportunity to provide practical input and help to shape the final version of ComFrame
- Impact assessments are a good learning exercise for both IAIGs and group-wide supervisors
- Work required by IAIGs will be considered in design of field testing – it is not our intention to have a floor of IAIG staff at their head office dealing with field testing!



Call for volunteers

- Testing will be voluntary
- IAIGs who wish to have a hand in shaping ComFrame should indicate their interest to their supervisor and the IAIS
- Send an e-mail to peter.windsor@bis.org indicating your interest
- TC members should also inform the Secretariat if they are in discussions with potential field testing candidates
- Testing will be iterative
- Questions about Field Testing – send an e-mail to Peter Windsor – details above



Thank you.

(Q&A time at the end of the session)