Supervisory colleges

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In March 2017, the Philippines will be participating in a meeting of a supervisory college in Hong Kong. Supervisory colleges is defined by the International Association of Insurance Supervisors (IAIS) as "a forum for cooperation and communication between the involved supervisors established for the fundamental purpose of facilitating the effectiveness of supervision of entities which belong to an insurance group; facilitating both the supervision of the group as a whole on a group-wide basis and improving the legal entity supervision of the entities within the insurance group." It has also been defined as a "joint meeting of interested regulators with company officials and include detailed discussions about financial data, corporate governance, and enterprise risk management functions. Supervisory colleges are intended to facilitate over-sight of internationally active insurance companies at the group level (IAIG)". Another definition provides that "supervisory colleges are groups of regulators from different countries that work together to oversee large cross-border financial organizations or multiple jurisdictions."

It pertains only to insurance companies under their respective jurisdictions that are part of groups "with cross-border operations". The subject also finds relevance in the regulation of insurance holding company systems with international operations.

In April 2008, the Financial Stability Forum (now the Financial Stability Board, or FSB) issued a report to the G7 Finance Ministers and Central Bank Governors setting out a comprehensive set of recommendations for strengthening the global financial system. One key recommendation therein was the operationalization and expanded use of supervisory colleges for certain global financial institutions.

Subsequently, the IAIS Insurance Core Principles (ICP) No. 17 provided: "The supervisor supervises insurers on a legal entity and group-wide basis." ICP No. 25 provided: "The supervisor cooperates and coordinates with other relevant supervisors and authorities subject to confidentiality requirements." The underlying objective of these colleges is to contribute to the stability of financial markets. In October 24, 2009, the IAIS adopted the *Guidance Paper on the Use of Supervisory Colleges in Group-Wide Supervision*.

Under the definition of supervisory colleges, supervisors are allowed to acquire understanding of an insurance group with respect to: a) risk exposures and inherent risks; b) financial position and soundness; c) capital adequacy and business activities; and d) risk management and governance systems.

A supervisory college “has no legal or binding authority as a decision-making body”. Instead, the effectiveness of the college depends upon agreement and cooperation. It does not seek to replace entity level supervision but rather supplements the “solo level supervision of singles entities with a group”. Supervisory colleges are also practiced in the banking sector.

The supervisory college is called to convene or is initiated by the Group-Wide Supervisor, also called the Chair of the college, which “would normally be the supervisor with the statutory responsibility to supervise the head of the insurance group.” Usually, it is the location where: a) the parent of the insurance group is based; b) the insurance business activities of the group are actively controlled; c) the largest portion of the group’s balance sheet is located; or d) the main business activities of the group are undertaken. A basic hallmark of these meetings is the confidentiality of information.

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