

Financial Stability Institute



## The next generation of insurance supervision – resourcing the future

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# Agenda

- Background of paper
- Sections of paper:
  - Section 1: Introduction
  - Section 2: Challenges in insurance supervision
  - Section 3: Identification of resource needs
  - Section 4: Sources of funding
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  - Section 6: Conclusion

## Background of paper

- **Aim of paper:** inform policy discussions on how insurance supervisors are identifying and allocating their human, financial resources to address evolving challenges such as regulatory reforms, technological advancements and expanding mandates.
- **Scope:** focuses mainly on human and financial resources required for insurance supervision; technological resources are covered indirectly, through their interlinkages with human and financial resources.
- **Methodology:** Desktop reviews and survey with 23 insurance jurisdictions for their respective 2023 financial year:

### Asia Pacific:

- Australia
- Hong Kong
- India
- New Zealand

### Americas:

- Belize
- Bermuda
- Chile
- Colombia
- Costa Rica
- USA - NAIC
- USA - State of California

### Africa and Middle East:

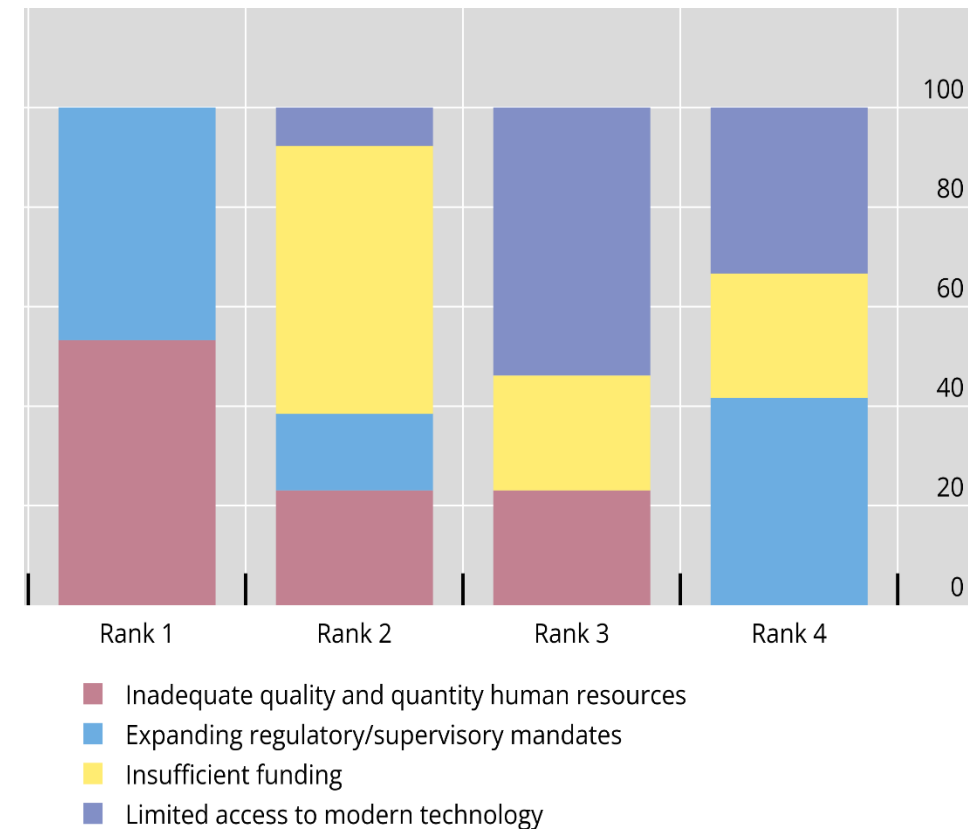
- Kenya
- Morocco
- Namibia
- Saudi Arabia
- South Africa
- Zimbabwe

### Europe:

- EIOPA
- Ireland
- Hungary
- The Netherlands
- Switzerland
- United Kingdom

## Ranking of resource challenges

- **Difficulties in attracting and retaining talent:** Public sector salaries are often less competitive than private sector pay, making it difficult to attract and retain skilled professionals.
- **High staff turnover:** Frequent staff departures can disrupt supervisory operations, drain institutional knowledge, and delay critical initiatives.
- **Ageing workforce:** Many jurisdictions face risks associated with an ageing workforce, with experienced staff retiring and limited younger replacements.
- **Over-reliance on external experts:** While external consultants can fill skill gaps, over-reliance increases costs and risks the loss of institutional knowledge over time.
- **Budgetary constraints:** Limited financial resources hinder recruitment, training and investment in technology, which are critical for effective supervision.
- **Expanding mandates:** Supervisors must address new areas, such as climate-related risks, market development and financial inclusion, which require additional resources and expertise.



## Other Resource-Related Challenges

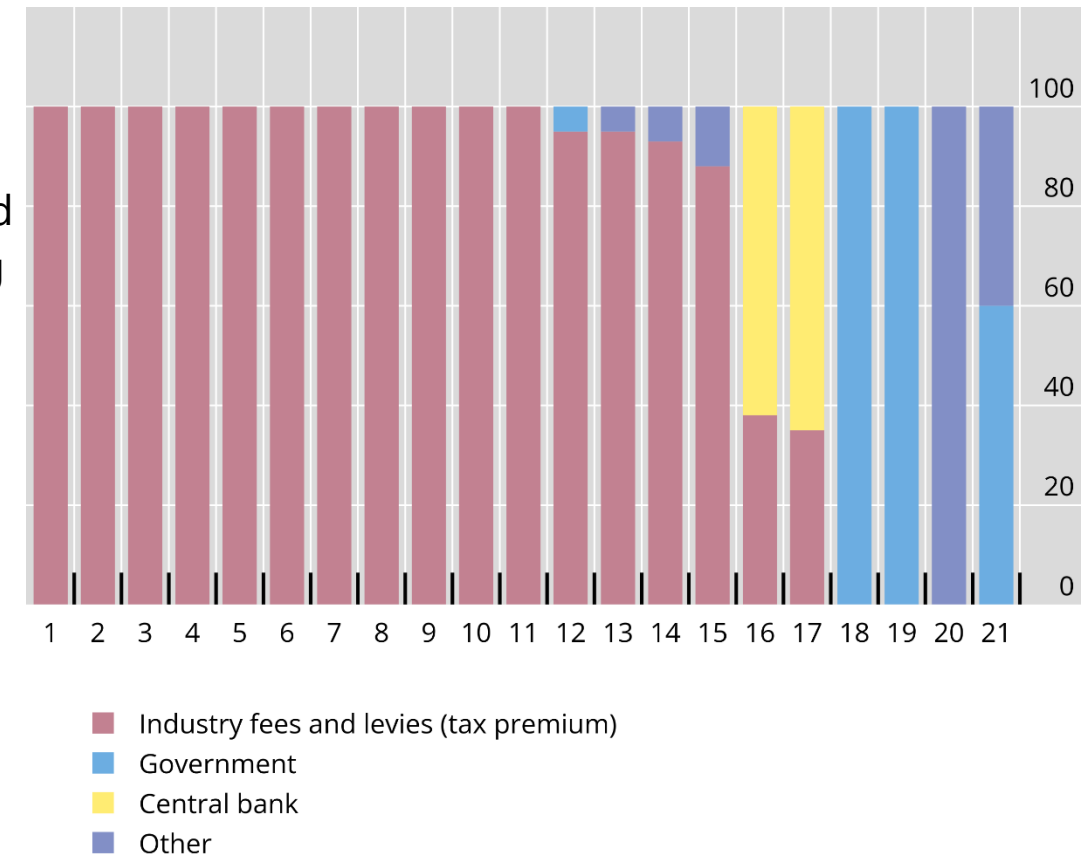
- **Crisis driven resource demands:** Events like COVID-19 and financial crises create sudden surges in supervisory resource needs, requiring rapid redeployment or external support.
- **Rigid hiring processes:** Bureaucratic public sector rules often delay hiring, making it harder to onboard skilled personnel quickly.
- **Key person risk:** Some authorities rely heavily on a single individual for critical tasks, creating vulnerabilities if that person leaves.

## Identification of resource needs

- **Annual budgeting:** Supervisors use annual budgeting processes to align resources with institutional priorities, ensuring funding is allocated to critical areas.
- **Risk-Based Supervision (RBSup):** Resources are allocated based on insurers' risk profiles, with high-risk insurers requiring more intensive oversight and resources.
- **Scenario analysis and stress tests:** Simulations help assess resource needs during adverse events, such as pandemics or geopolitical disruptions.
- **Internal reviews:** Supervisors conduct audits and capability assessments to identify resource gaps and prioritise areas needing additional investment.
- **Benchmarking:** Comparing resources with peer jurisdictions provides insights into gaps and opportunities for improvement.
- **Other developments:** Assessing the insurance industry such as market growth, regulatory reforms and technological advancements.

## Sources of funding - modalities

- **Full cost recovery models:** Align funding with risk-based supervision by charging higher fees for riskier or more complex insurers.
- **Industry fees and levies:** Most jurisdictions rely on fees collected from insurers to fund supervisory activities, potentially enhancing their financial independence.
- **Government support:** Some authorities rely on government appropriations or central bank funding, though this can limit financial independence.
- **Supplementary sources:** Fines, premium taxes and investment income provide additional funding but are less predictable.
- **Investment income:** A few jurisdictions use returns from excess funds to supplement their budgets, providing additional flexibility.



## Sources of funding – policy issues

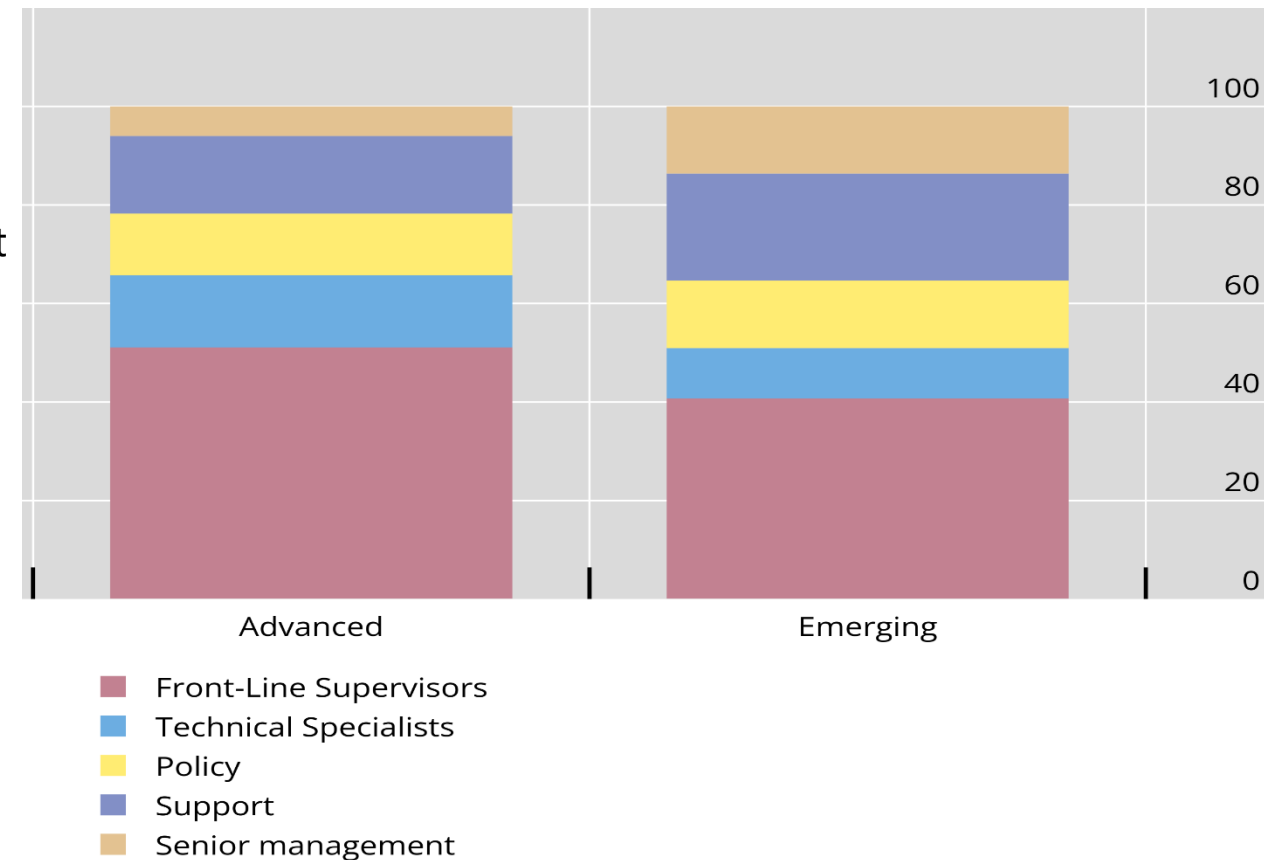
- **Unstable funding:** Fees tied to market size can fluctuate with economic conditions, creating uncertainty in resource planning.
- **Government oversight:** Budget caps may limit resource flexibility, hindering supervisors' ability to respond to emerging risks.
- **Crisis preparedness:** Supervisors need contingency funds or pre-arranged contracts with external consultants to handle sudden resource demands.
- **Cost recovery limitations:** Over-reliance on fines or penalties can create conflicts of interest and compromise supervisory independence.
- **Budget uncertainty:** Fixed costs, such as IT systems, remain regardless of market size changes, requiring stable and predictable funding.

## Allocation of funding and skills/expertise - modalities

- **Align with core mandates:** Resource allocation should respond to the supervisory mandates to maximise effectiveness.
- **Risk-based allocation:** The supervisors should prioritise resource allocation according to the risk inherent to insurers, and the risks posed by insurers to policyholders and financial stability.
- **Cost-benefit analysis:** Evaluate activities based on their impact and proportionality to ensure efficient use of resources.
- **Forward-looking planning:** Anticipate future demands and allocate resources proactively to address emerging risks.
- **Flexible resource allocation:** Authorities must be able to reallocate resources quickly to respond to crises or emerging risks.
- **Efficiency gains:** Leverage technology to streamline processes, automate routine tasks, and optimise resource deployment.

## Allocation of funding and skills/expertise – policy observations

- **Advanced markets:** Employ a higher proportion of technical specialists to oversee complex risks and innovative products.
- **Emerging markets:** Rely more on support staff due to budget constraints and market structure, which may limit oversight capacity.
- **SupTech adoption:** Increasing use of technology can automate routine tasks, enhances efficiency, and allows supervisors to focus on high-value activities.
- **Supervisory staffing ratios:** Smaller markets often have higher staff-to-premium ratios due to size of their markets.



## Conclusions

- Investing in human resources is critical for effective supervision.
- Adequate resources are essential for safeguarding financial stability and protecting policyholders.
- Resource gaps risk supervisory blind spots and insurer failures.
- Supervisors must balance expanding mandates with limited resources.
- Proactive planning is necessary to address future challenges.
- Stable funding, coupled with the autonomy to allocate resources, can help ensure that supervisors are equipped to respond to emerging risks, maintain financial stability and safeguard policyholders without undue external influence.
- Due to expanding responsibilities, supervisors are encouraged to balance traditional oversight with new mandates, stretching already limited resources.

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Annexes

## Annex 1 - Sources of funding and budget accountability of selected authorities

**Sources of funding and budget accountability of selected authorities**

Table 2

Authority	Industry fees and levies <sup>①</sup>	Government support	Central bank support	Others	Executive	Legislature
APRA – Australia	95%	5%	0%	0%	Yes <sup>②</sup>	Yes
BMA – Bermuda	88%	0%	0%	12%	Yes <sup>③</sup>	Yes <sup>④</sup>
PRA – UK	100%	0%	0%	0%	Yes <sup>⑤</sup>	No
DNB – the Netherlands	100%	0%	0%	0%	Yes <sup>⑥</sup>	Yes <sup>⑦</sup>
PA – South Africa	38%	0%	62%	0%	Yes <sup>⑧</sup>	Yes <sup>⑨</sup>
CMF – Chile	0%	100%	0%	0%	Yes <sup>⑩</sup>	No
IA – Hong Kong	93%	0%	0%	7%	Yes <sup>⑪</sup>	Yes <sup>⑫</sup>
IRDAI – India	100%	0%	0%	0%	Yes <sup>⑬</sup>	No

① Industry levies and fees may be denominated differently across jurisdictions, using terms such as insurance supervisory levies, levies, premium levies, fees, renewal fees or premium taxes. ② Australian Government through Treasurer. See APRA (2025b). ③ Minister of Finance. See BMA (1969). ④ See BMA (1969). ⑤ Accountable to parliament. See PRA (2025a). ⑥ Ministry of Finance and the Ministry of Social Affairs and Employment. See DNB (2025a). ⑦ See Nagelkerke (2016). ⑧ Minister of Finance. See RSA (2017). ⑨ See RSA (2017), Section 239. ⑩ Ministry of Finance through Directorate of Budgets (DIPRES). According to OECD (2024), DIPRES is responsible for overseeing the allocation of state financial resources, regulating and guiding the formulation of the national budget, preparing expenditure ceilings and draft proposals, and monitoring and evaluating budget execution. ⑪ See IA (2025), Section 5B (3) and (4). ⑫ See HK (2025). Section 5B of the Ordinance requires the Insurance Authority (IA) to submit a corporate plan for the next financial year. ⑬ See IRDAI (2020).

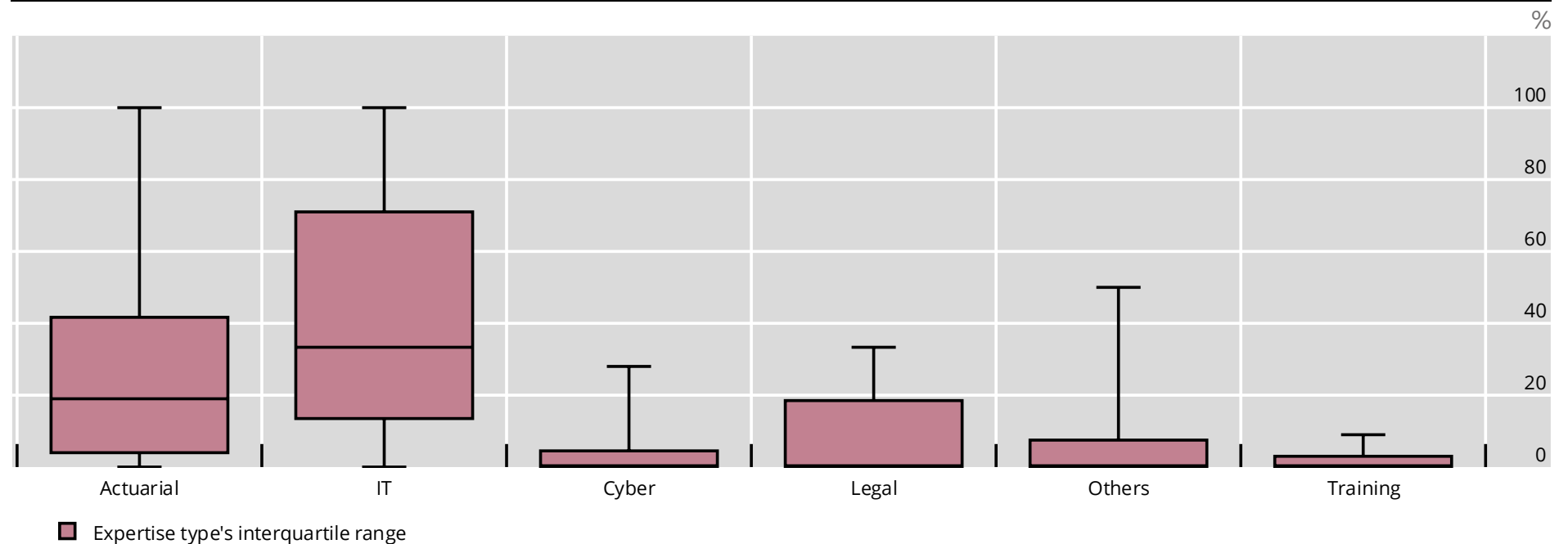
Source: FSI-IAIS survey

## Annex 2 - Composition of external experts engaged by surveyed insurance authorities

### Composition of external experts engaged by surveyed insurance authorities

Proportion of different types of experts used

Graph 5



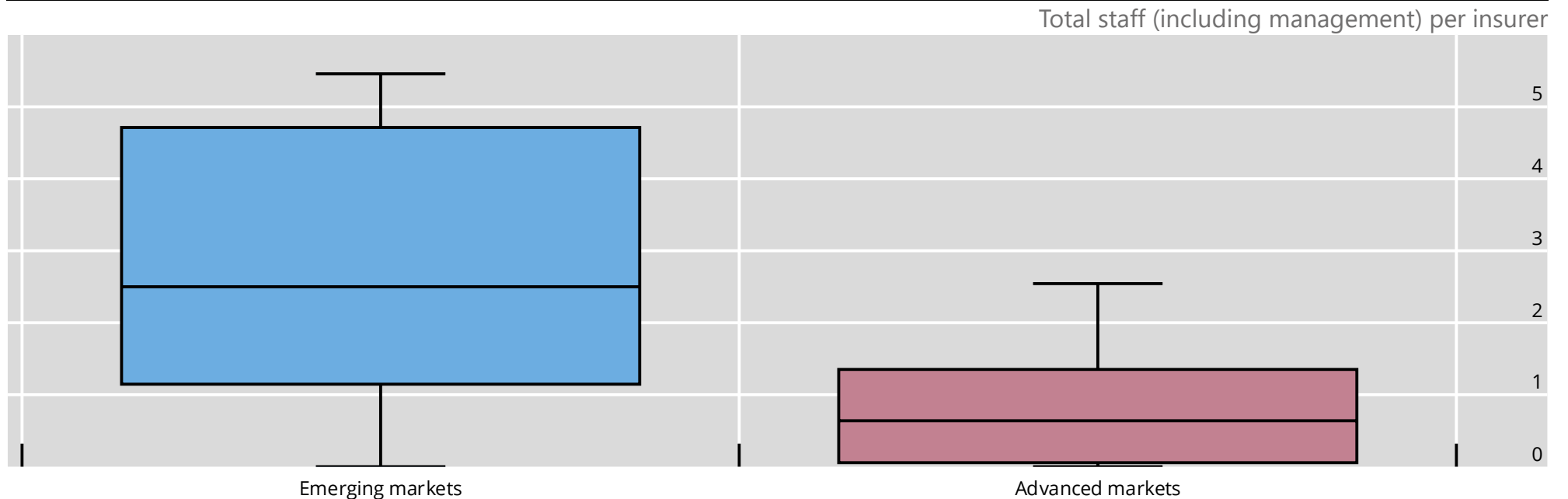
Source: FSI-IAIS survey

## Annex 3 - Staff per insurer in the surveyed jurisdictions

### Staff per insurer in the surveyed insurance authorities

Comparison of total staff per insurer by market development

Graph 6



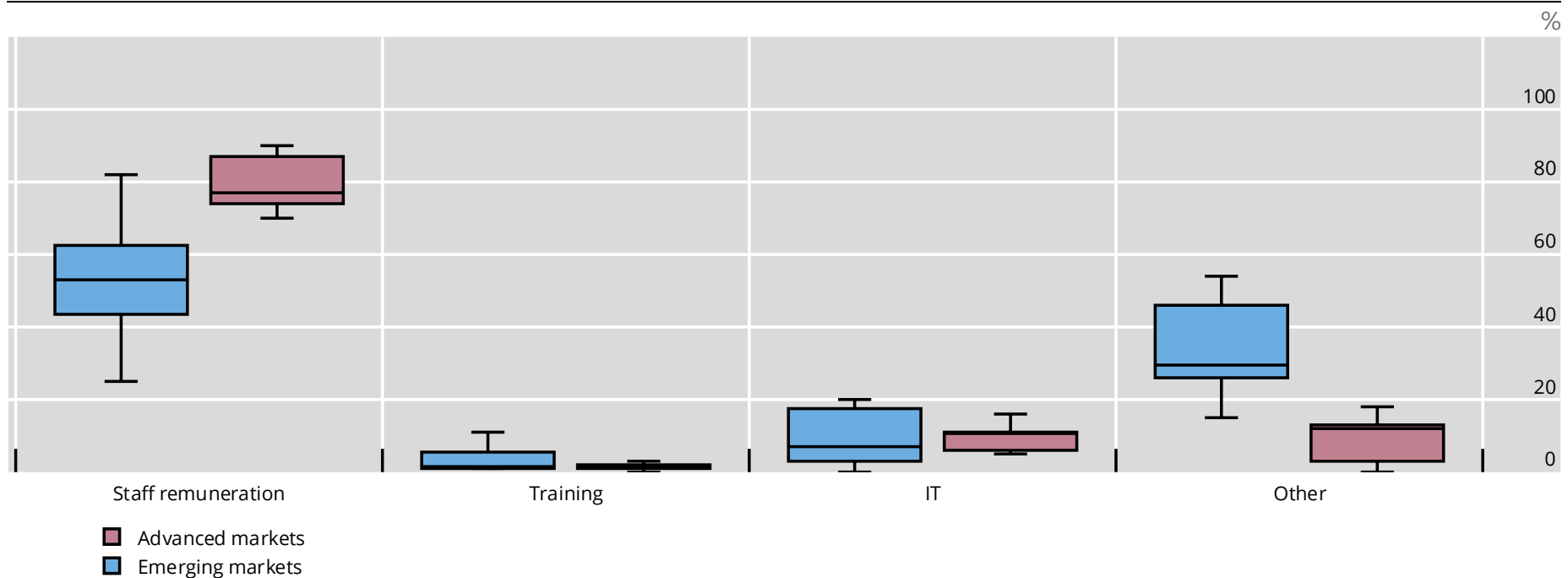
Source: FSI-IAIS survey

## Annex 4 - Budget allocation in advanced versus emerging markets

### Budget allocation in advanced versus emerging markets

Boxplots of budget types by market development

Graph 7



Source: FSI-IAIS survey