

To: Mr Jonathan Dixon
Secretary General
International Association of Insurance Supervisors
Bank of International Settlements
Centralbahnplatz 2, 4051 Basel, Switzerland

Date: 12 August 2022

Subject: GFIA letter on the IAIS public consultation on the draft criteria that will be used to assess whether the AM provides comparable outcomes to the ICS

Dear Mr Dixon,

GFIA notes the 15 June publication of the IAIS public consultation on the draft criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). It welcomes the opportunity to comment and considers the strong emphasis the IAIS has placed on stakeholder input encouraging and critical in achieving a meaningful outcome. However, after much deliberation, GFIA members have concluded that it would not be possible to submit a response to the detailed questions in the consultation. Principally, this is due to jurisdictional differences of opinion that remain, relating to the exercise itself and the wider ICS. GFIA outlines below its view of the challenges this exercise presents and the factors it deems critical for the IAIS to consider as it conducts this assessment.

1. The ICS version 2.0 is not final. GFIA expects the standard to have evolved after the monitoring period ends in 2024 in response to any identified current and future shortfalls. As the ICS itself is still subject to change, GFIA questions the appropriateness of conducting a comparability assessment using an unfinished standard as a benchmark or reference.
2. GFIA would highlight that some of the wording used in the draft criteria could be deemed open to wide-ranging interpretation. Terms such as “prudence”, “short term” and “business cycle”, amongst others, are subjective and could be defined in different ways. Providing the required clarity on these terms is necessary.
3. From a purely practical perspective, GFIA members have struggled to adequately consider and compile various views and ultimately to submit a response to this consultation given the short timeframes. It also notes that a request for an extension to the timelines by a GFIA member was declined by the IAIS. Members consider responding to this complex exercise a significant undertaking and would have welcomed extra time to engage meaningfully with their member companies, other stakeholders and ultimately with the consultation itself.

4. Furthermore, GFIA has concerns about the comparability assessment timeline scheduled to run from Q3 2023 to Q2 2024 and during the ICS monitoring period as outlined in the IAIS Explanatory Note. Firstly, this may not give enough time to complete the exercise and, secondly, the timeline does not appropriately account for the planned consultation and economic impact assessment of the ICS expected to be launched in mid-2023.

GFIA hopes that, given the challenges highlighted above, you find its comments constructive. It would welcome the opportunity to discuss any of the points raised in greater detail.

Yours sincerely,



Charlotte Clark
Chair, GFIA Capital Working Group

About GFIA

The Global Federation of Insurance Associations (GFIA), established in October 2012, represents through its 40 member associations and 1 observer associations the interests of insurers and reinsurers in 67 countries. These companies account for 89% of total insurance premiums worldwide, amounting to more than \$4 trillion. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.