Hon. Michael McRaith  
Chair  
Technical Committee  
International Association of Insurance Supervisors

Re: Volunteer Industry Participation in ComFrame Field Testing Task Force

Dear Director McRaith:

The Global Federation of Insurance Associations (GFIA) through its 32 member associations represents insurers that account for around 88% of total insurance premiums worldwide. The GFIA appreciates the constructive efforts by the International Association of Insurance Supervisors (IAIS) and national supervisors to foster a gap-free supervisory system through initiatives such as the development of new Insurance Core Principles (ICPs), the establishment of supervisory colleges, the Multilateral Memorandum of Understanding on Cooperation and Information Exchange (MMOU), and the ComFrame workstream. We also appreciate the opportunity to offer our comments on the two-phase approach to be carried out by the Field Testing Task Force (FTTF or Task Force) designed to test the ComFrame draft by applying its parameters and elements to appropriate internationally active insurance groups (IAIGs) over a multi-year period.

For the reasons set forth below, GFIA respectfully requests that the FTTF discussions include industry representatives in Phase 1 of the exercise and also in Phase 2 where discussions do not involve confidential company information.

A. **THE FTTF WILL BE ABLE TO LEVERAGE OFF CONSIDERABLE INDUSTRY EXPERIENCE.**

Observers have been and are participating in surveys and field work testing exercises around the world (e.g., the Solvency II quantitative impact studies, assessment of proposed IASB accounting standards, the NAIC’s ORSA pilot projects). We believe that their experience as to what works and doesn’t work would be very beneficial to the Task Force.

B. **INDUSTRY INVOLVEMENT FROM THE BEGINNING SHOULD INCREASE EFFICIENCY OF THE PROCESS.**

Rather than developing the field test independently, and then consulting the industry at a later stage, a significant amount of time and resources could be saved by removing this iteration and taking industry input on-board at the outset. The FTTF is working to an ambitious deadline, and this kind of involvement should help identify issues early, sparing the FTTF valuable time and resources exploring avenues that the collective experience of observers have already identified as problematic or unworkable.
C. **Confidentiality considerations necessarily require industry input.**

Observers’ input to the development of confidentiality parameters for the field testing of ComFrame could help to allay concerns that some IAIGs have regarding participation in the field tests. As the GFIA has noted in prior submissions, strong confidentiality protections are an essential precondition to information exchange at every stage of the process contemplated by ComFrame, from the identification of IAIGs to the assessment of sensitive and proprietary areas such as group structure, strategy, governance, enterprise risk management, and financial condition.

Observers – particularly those that are IAIGs and anticipate being part of the field test - have an obvious interest in protecting any confidential or business sensitive information from the economic and reputational harm that can result from public exposure of such data. Indeed, IAIGs will not volunteer to participate in the process if they do not trust that their business sensitive information will be protected. Worse still, if confidentiality provisions are not appropriately resolved prior to the field test, IAIGs may find themselves running the risk of significant adverse consequences (harm caused by release of competitively sensitive information, civil/criminal penalties, financial losses, reputational impairment, or other adverse impact on the marketplace) if data disclosed through their participation ends up in the wrong hands in violation of – for example – applicable open records or securities laws.

Please see below a couple of examples of where confidentiality considerations will need to be considered by the FTTF for the field testing exercise:

- The ComFrame draft does not currently contemplate how data confidentiality can be assured where it is shared with a supervisor (or a contracting third party) in a jurisdiction that affords less protection than the jurisdiction where the data originated. The field testing of ComFrame will necessarily involve the sharing of information among supervisors operating under different confidentiality and data security standards.

- ComFrame’s data confidentiality standards and all supervisory college confidentiality agreements do not explicitly recognize, respect and protect the rights of IAIGs as the owners of the information. Recognition of the data ownership rights of IAIGs should lead the Task Force to adopt notice and other due process rights that ensure that the IAIG will be able to intercede before any harm can occur in the event confidential data is compromised during the field testing phase.

At the ComFrame Dialogue on January 15 in New Orleans, a suggestion was made to the IAIS that it form a small working group to focus on the potential confidentiality conflicts of law issues that need to be resolved. The Technical Committee appeared to be receptive to that suggestion. GFIA respectfully requests that observers be invited to participate, as appropriate, in the Task Force discussions to ensure that data security and confidentiality issues are resolved in a manner that will give all IAIGs the confidence to volunteer for the field testing process. Those issues include resolution of legally binding ways to: (a) protect confidential information against compulsory disclosure under open records laws; (b) prevent improper dissemination of material nonpublic inside information of or relating to an insurer; (c) preserve the higher confidentiality standard of either the jurisdiction in which the information is received or from which it was disclosed as data “travels” from jurisdiction-to-jurisdiction in the context of the field test; and (d) provide the IAIG with appropriate notice and other due process prior to the disclosure of information.
CONCLUSION

Observer involvement in the Task Force’s work will allow them to offer suggestions that could enhance the confidence of prospective IAIGs to volunteer for field testing. The success of the field testing project will be critical to the success of ComFrame as a whole. Therefore, maximizing observer input in the Task Force’s work (again, without jeopardizing the safety of confidential information) will help to ensure that ultimately ComFrame is designed in such a way that has the potential to bring benefits to the wide range of different IAIGs likely to fall within its scope, and will enable a smoother transition from finalisation of the draft framework, through field testing to implementation.

Indeed, industry representation on the FTTF is consistent with the IAIS mandate for this Task Force, which states that “[a]ll of these steps are to be taken in a transparent public manner involving consultation with IAIGs involved in field testing as well as the observers and the public more generally.” In line with this, we urge that the Task Force’s meetings be open to observers to the maximum extent possible.

With respect to Phase 2 of the FTTF, it is important that IAIGs selected for the field test are volunteers. It appears likely that the project will involve a substantial amount of company time, money and other resources, and those costs should not be imposed on companies that do not wish to volunteer. In addition, it is important that the IAIS seek to ensure that industry participation in the FTTF is representative of the broad range of potential IAIGs; including companies with different governance structures, from different geographical locations, and with different business portfolios (life, non-life, reinsurance).

Thank you for your consideration of these issues. The GFIA looks forward to working with the IAIS to ensure the successful testing of the ComFrame draft.

Thank you for your consideration,

Frank Swedlove
Chair, Global Federation of Insurance Associations

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