



GLOBAL FEDERATION OF INSURANCE ASSOCIATIONS

10 April 2013

Mr. Alexei Vladimirovich Moiseev
Deputy Finance Minister
Ministry of Finance of the Russian Federation
109097, Moscow, Ilinka Str. 9
Russian Federation

Dear Deputy Minister,

On behalf of the Global Federation of Insurance Associations (GFIA), which through its 32 member associations represents insurers that account for 88 per cent of total insurance premiums worldwide, I would like to thank you for taking the time to meet with our delegation in Moscow on March 12, 2013. We appreciated the open and frank exchange of views and in particular our discussion of the agenda and priorities for Russia's G20 Presidency.

While there were a number of issues discussed, there is one in particular that we would like to reinforce. We believe that it is important that the G20 make clear to the regulatory community the importance of long-term investing. As we noted in our meeting, we believe our industry has an invaluable role to play in reinforcing long-term and sustainable economic growth.

The global insurance industry is one of the world's largest institutional investors with roughly US\$24.5 trillion in assets under management. The provision of long-term funding by our industry is inherent to the insurance business model, whereby investments are made to back future claims, many of which are long-term in nature such as those resulting from insurers' savings, pensions and other long-term products. These types of products also provide financial security to individuals, sheltering them from catastrophic losses and thereby contributing to more balanced and sustainable economic growth. The associated long-term investments are also a vital component of sustainable economic growth and foster financial stability by providing an anti-cyclical buffer in times of market stress.

There is growing recognition of the unintended consequences regulation can have on the ability and willingness of insurers to invest long-term. We note that a number of important bodies including the Group of Thirty (G30), the European Commission and the Organization for Economic Cooperation and Development (OECD) have issued reports or papers or are in the midst of studying the impact recent regulatory developments are having on long-term investment finance. On February 11, 2013 the Group of Thirty (G30) issued a report entitled "*Long-term Finance and Economic Growth*" pointing out that long-term finance is an essential building block for economic growth and the need for it could increase

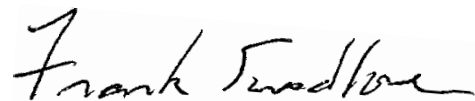
drastically in the coming years, rising from US\$11.7 trillion to US\$ 18.8 trillion. At the same time however, new financial and accounting regulations intended to reinforce financial stability unintentionally create disincentives for insurers and others to invest long-term. The report noted:

Policy makers must consider the systemic impact of ongoing and future regulatory changes on long-term investment. Failing to do so could result in today's modest unintended consequences becoming tomorrow's much larger real economic problems.

This is an important message which we believe should be included in the G20 communiques, action plans and leaders declarations. Previous G20 action plans have appropriately asked member states to take urgent action to improve prudential frameworks and we have seen significant activity globally as a result of G20 mandates. It is vital therefore that the G20 also makes clear the need for close monitoring of the cumulative effects of regulatory developments. In particular, we believe it important that the G20 asks the International regulatory bodies to take steps to ensure that when working to achieve greater macro-financial stability and global regulatory convergence the potential impact on long-term finance and economic growth needs is assessed and any barriers minimised.

The GFIA looks forward to working with the G20 on this and other issues and remains at your disposal should you require any further information.

Yours sincerely,

A handwritten signature in black ink that reads "Frank Swedlove". The signature is written in a cursive style with a large initial 'F'.

Frank Swedlove
Chair, Global Federation of Insurance Associations

GFIA CONTACT:

Hannah Grant, GFIA Secretariat, grant@gfiainsurance.org