

**GFIA response to the IAIS *Draft Procedures on Meeting Participation and the Development of Supervisory and Supporting Material and Draft Policy for Consultation of Stakeholders.***

**General comments**

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The Global Federation of Insurance Associations (GFIA) through its 38 member associations represents insurers that account for around 87% or more than \$4.0 trillion in total insurance premiums worldwide. We appreciate the opportunity to comment on this document, and acknowledge the IAIS' commitment to transparency and openness with stakeholders as part of its restructuring.

We agree with the IAIS that it is a timely decision to review its organisational procedures with the aim to increase efficiency and transparency. The IAIS is operating in an evolving landscape and under an increasingly demanding mandate. We recognise the importance of the IAIS' reconsideration of its operational process, policy consultation process and governance, in light of the directions given by the G20 member governments, the Financial Stability Board, and other national policymakers to whom IAIS members are accountable. The impact of the work of the IAIS is far-reaching and as such it is imperative that it has an effective and transparent way of seeking stakeholder input throughout its policy development process.

Observership has been a part of the IAIS since 1998, and the interaction between the IAIS and Observers has grown organically over time. This development was particular to the needs of insurance supervisors and it expressed the high level of complexity that is characteristic for our industry. Positive results of this cooperation have been clear and plentiful as acknowledged by the Executive Committee in the consultation document. We understand that the growth of the IAIS means that the IAIS needs to evaluate whether the Observership role is functioning as intended. However, we do not understand what particular problems this proposed cancellation of Observership status is intended to solve. Rather, we believe this will make the IAIS standards development process less transparent overall, which we do not believe is the intention. We strongly believe that the financing of the IAIS and the treatment of Observership status are two totally different issues, and should be treated separately.

We urge the IAIS to reconsider its proposed decision to generally exclude stakeholders from IAIS meetings. It should be best practice to always invite stakeholders to meetings, unless there are good reasons to exclude them, rather than the other way around. Exclusion of stakeholders from meetings should only be acceptable in a clearly prescribed set of circumstances such as, but not limited to, IAIS internal matters, budget issues, issues that concern only one stakeholder, etc.

In the system proposed in this consultation the discretion of the Chair will need to be accompanied by an extremely transparent process to ensure that all stakeholder views get fair consideration. We would like to refer to the OECD Background Document on Public Consultation<sup>1</sup> which clearly lists the various benefits of high transparency and extensive public consultation.

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<sup>1</sup> <http://www.oecd.org/mena/governance/36785341.pdf>

In general, the proposed minimum points of formal contact do not go far enough and rely heavily on ad-hoc, discretionary input. Such limited input, as described in the OECD Background Document on Public Consultation, results in lower transparency and accountability, which is exactly the opposite from what the IAIS should be achieving in its maturing role.

We believe that as a standard process, industry and other expert engagement should be sought at the outset of a project. This will help ensure that projects are planned with a good understanding of the issues to be faced and start off in the most appropriate direction. If Chairs are limited to only the current points of contact with stakeholders we are afraid that input into the public consultation will be too late to add significant value to the drafting process as much of the development will be finalised.

In terms of process for this particular consultation, given the extent of the proposed changes, we are surprised by the single consultation that we are presented with, and the short transition period envisaged. We urge that the IAIS carefully consider our request for (sub)committee meetings to be more open and inclusive than what is currently envisaged in this document.

We also understand that there is uncertainty over the future of the IAIS Annual Conference. As industry representatives it is immensely valuable for us to have this forum for exchange of views, and for deepening our relationship with the IAIS. We believe it will be very difficult to reproduce the high attendance and efficiency that results from combining the Annual Conference with Committee meetings open to stakeholders. If uncertainty remains over this, we would urge the IAIS to start a discussion on this topic with stakeholders.

## Comments on Section I

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Participation in meetings has been instrumental in ensuring stakeholders are aware of developments at the IAIS as well as its thinking and intentions. Meetings have been a primary platform for communication between industry and the IAIS, and have laid the foundation for our understanding of the on-going work. This understanding is crucial for industry participants to be able to make useful comments during public consultation.

If these channels of communication are reduced, it will be imperative to ensure the following communication is given due attention:

- Timely provision of detailed minutes of Committee Meetings and WG/TF, with identification of speakers for each comment to the extent possible.
- Sufficient explanations of projects through public background notes, teleconferencing, etc. in advance of the consultation.
- Announcement of the theme, objectives, reasons, etc. of a consultation at least two weeks in advance of the public sessions.

We trust that interested stakeholders will be able to request an invitation to attend a meeting, although the document is silent on this point.

We would also encourage the IAIS to explore alternative channels of communication, such as allowing stakeholders to observe meetings without giving permission to make comments as well as conducting a webcast of meetings.

If the IAIS decides to continue with this proposed approach of closing meetings to observers as drafted, the chair's discretion is not subject to any clear criteria or safeguard that affected stakeholders will be able to input into the process. We are concerned that, contrary to the intended objective, the perception will indeed be that certain individuals or groups will be favoured over others. Remedying this would require a very open, transparent and inclusive policy for inviting stakeholders to meetings. Having said that, keeping the meetings open for stakeholders would be our preferred solution.

We appreciate that the Chair of a Committee or Subcommittee should have the ability to invite and admit guests to meetings. However, we would like to reiterate our strong preference for the IAIS procedures to note that, by default, (all) stakeholders should be invited to the sessions unless the Chair has a rationale for closing a session and then only to the minimum extent required.

Stakeholders should be able to give feedback at an early enough stage of the work so that their input can be reflected in the draft materials – we fear that if we are only given a public consultation on a near-final document, we as stakeholders will effectively not be part of the development process. For this reason we would like the IAIS to conduct a formal consultation at the start of a new policy development, not just later on in the process. We believe this would ensure that both supervisors and industry resources are most efficiently employed and potential 'wrong turns' and unintended consequences can be identified at the outset.

## **Comments on Section II**

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As acknowledged in the introduction, Observer input has in the past been crucial for achieving balanced supervisory material and supporting material. It has been an opportunity to identify weaknesses, areas where proposed measures conflict with market practices, or would otherwise encourage unintended negative consequences. As such, we would argue that industry stakeholders should continue to have the opportunity to assist the IAIS in the development of its draft material from the start, including ideally through a public consultation being held at this point.

### **Comments on Section II.A.1**

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We would welcome more clarification that all supervisory, supporting, and other material be made public by default, unless compelling reasons exist to keep it confidential.

### **Comments on Section II.A.2**

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*(no comment)*

### Comments on Section II.A.3

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This section lists types of “other written material”. With regard to “other international organisations”, this includes (only reactive) “letters of response”.

We would assume that the IAIS pro-actively follows the initiatives of international organisations that could have an influence on the insurance sector and that the IAIS takes an active part in such discussions. Therefore, the IAIS may also produce opinion and issues papers on such questions. The approval and consultation processes for such papers may have to be tailored to their character and urgency.

### Comments on Section II.B

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We welcome the explicit enumeration of the various steps which the development of IAIS material will be subject to – this document goes a long way to providing clarity and reassurance for stakeholders.

As written, the document indicates that after the discontinuation of Observer status, our ability to participate in Committee Meetings and WG/TF will be limited. In this scenario, this means that meeting documents and other materials will be even more important. In order to prevent any confusion, the IAIS should ensure there is ample communication with stakeholders in advance of public consultations so that IAIS can sufficiently recognize and reflect concerns of the stakeholders in the draft materials.

A particularly important note is that due to time differences and geographical distances many IAIS members and stakeholders cannot participate in meetings and conference calls — for them the timely circulation of minutes and draft materials is fundamental to their involvement in the IAIS process. Similarly, meeting plans should be scheduled as far in advance as possible to allow for the logistics of attending – this would normally be more than the two weeks mentioned in the document.

Under point (ii – **Public background note**), we would request that the background note give a clear picture of how (and which) stakeholders will be involved in the developmental process.

Additionally, we would request that the plan for draft materials would include a cost/benefit analysis, including impact assessment and consideration of how incentives may change market behavior at a micro and macro prudential level. It would also be useful for the background note to consider whether the material under development would be presented with obstacles at the implementation phase, such as legal hurdles in major jurisdictions.

Another point of consideration for the background note would be the designation of internal responsibilities within the IAIS, such as which is the competent (Sub)Committee, and who are the lead drafters.

Under point (iii – **Development of the approved materials**), we would call for broad and transparent involvement of stakeholders. Here, as drafts are taking shape, we can provide the greatest added value and identify problems in a timely way.

Under point **(iv – Public consultation)**, the draft paper specifies that material shall be subject to at least one public consultation before its adoption. While we appreciate the commitment to public consultation, we would also like to emphasise that a singular consultation would likely come late in the drafting process, when substantial edits based on input from stakeholders would be unlikely or impossible. As demonstrated in the past, stakeholders contributed to the development process (iii) in more significant ways than only through the public consultation. We know that Chairs are currently aware of this but would caution against late and single consultations becoming the working norm amongst Committees and Subcommittees.

Given the importance of public consultations under the new process, we would strongly urge the IAIS to consider consistently giving longer consultation times, e.g. 90 days for supervisory materials and 60 days for supporting materials. This would additionally ease the burden on those countries whose working language is not English, and allow them time to give meaningful input to the consultation.

We particularly welcome the statement that all comments received shall be made public (unless otherwise requested). This is a useful addition to having a summary of comments.

Under point **(v – Public background session)**, we assume that public background sessions will be open to all stakeholders, which is something we welcome. Conference calls with stakeholders are an efficient way to communicate. However, it should be explicitly acknowledged that this is not a full substitute for face-to-face meetings, as the format of conference calls does not lead to the same depth of discussions and the same level of understanding of the IAIS' work. On conference calls there are also many more opportunities for misunderstandings. We do appreciate the efficiencies involved in this option, but want to be sure they don't serve as a substitute for deeper engagement and relationships with stakeholders.

We would additionally suggest that the IAIS could look into the use of additional communication technologies such as teleconferencing, which would allow for a more involved communication than audio-only conferencing.

Under point **(vi – Resolution of comments received)**, we would welcome the option to respond to consultations on a confidential basis. Where consultation responses are submitted confidentially, the IAIS should confirm that their content will remain confidential.

Under point **(vii – Public discussion of comments and resolution)**, we welcome the explicit commitment to providing summaries of comments and feedback, and to engage in direct dialog with stakeholder regarding the content of their input.

### Comments on Section III

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Overall, we welcome the intent of the IAIS to design an effective, consistent, transparent and predictable process for stakeholders.

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**Comments on Section III.1**

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*(no comment)*

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**Comments on Section III.2**

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As mentioned in our comments above, we welcome the clear commitment to doing at least one thorough public consultation and that stakeholders are kept up to date on developments transparently.

However, we would reiterate that a single consultation is likely to come very late in the development process, thus reducing the potential for input to result in real change. It is important to us that the optional steps listed under "These steps do not preclude" are actually implemented as common practice amongst Chairs.

Many of these optional measures for Chairs to receive input result in the possibility of certain stakeholders being prioritised over others in an opaque manner. We would encourage the IAIS to maintain very transparent and clear communication when soliciting input from stakeholders. This would prevent stakeholders from perceiving the new process as privileged or biased, and maintain a high level of confidence in IAIS work. Having said that, keeping the meetings open for stakeholders would be our preferred solution.

During the development of the BCR, the IAIS has solicited direct input from G-SIIs. Given the application of the BCR and the imposed timeline this was understandable and appropriate. However, for other supervisory material, we would like to stress that the IAIS should ensure that, as a rule, not only the industry's largest players get a voice during the development, but that industry representation is as broad as is possible or appropriate.

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**Comments on Section III.3**

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We welcome the organisation of Executive Committee sessions, as they will provide a good point of contact between the IAIS and stakeholders.

As with all meetings, we would request that the calendar for upcoming meetings is made public well in advance and that agendas and supporting materials be distributed in a timely manner. Further, meeting minutes will be essential for a deeper understanding and especially for those unable to participate. It would be efficient to hold Executive Committee sessions jointly with other meetings open to stakeholders.

We believe that holding more than one session yearly would be beneficial as it would allow for a representation of different geographical regions, and would provide a more timely process for addressing issues.



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We would also urge that a mechanism be introduced so that stakeholders can request a meeting with the Executive Committee to discuss substantive issues (i.e., important standards or policy decisions) that are time-sensitive and cannot be put off until a scheduled “open session”.

We ask that consideration be given to the idea of holding annual/regular face-to-face meetings between the executives of the IAIS and GFIA.

#### **Comments on Section III.4**

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We would like to express our support for the IAIS’ intention to organise public dialogues and that special care will be taken to ensure these dialogues are long enough to ensure useful discussion.

As drafted, we understand a public dialogue to be open to all stakeholders. If this is not the case, i.e. if a sub-section of stakeholders would only be invited; it would be very helpful to have insight into the Chair’s rationale of which stakeholders to invite. This would be crucial to avoiding real or perceived biases in treatment of stakeholders.

We would also be interested in knowing what the intended frequency of public dialogues will be, as the only guidance provided in the document is “when needed”. We support the Chair’s ability to schedule as many dialogues as is needed and look forward to engaging constructively. For stakeholders who cannot travel to participate in a public dialogue there should be an option of participation via conference call.

#### **Comments on Section III.5**

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We appreciate the commitment to clear and regular public communication.

We would further appreciate it if the materials published, such as agendas, draft documents and meeting minutes, were the same as those circulated to members (or as close as possible, as per confidentiality agreements). It is important for proper understanding to have detailed documentation of meetings, including the minutes, naming speakers in ongoing discussions.

It would also be worth considering conducting a webcast for facilitating communication.

To ensure a transparent process and prevent creating any political pressures under a new alternative funding scheme without Observer fees, we would recommend that the IAIS publicly disclose the source of its financial resource including fee methodology and breakdown of each Member's contribution.

#### **Comments on Section III.6**

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In general, we hope the stakeholder group creation process will be transparent and representative, so that no legitimate stakeholders feel that opportunities for input are biased.

Stakeholder groups should be carefully selected to ensure they represent those who will be impacted by the developing material. Special attention should be paid to the representation of those who cannot, due to size or resources, be fully represented during the development of material.

In the case where IAIS material is likely to affect the entire industry, trade associations such as the GFIA and national trade associations have a strong mandate to represent the widest cross-section of the industry, and as such would welcome any opportunity to input into the development process.

We note the method taken by the International Organization of Securities Commissions (IOSCO). In December 2013, IOSCO revised its internal organisation in an effort to enhance stakeholder contributions made to its ongoing policy and research work. IOSCO created the Affiliate Member Consultative Committee (AMCC) in recognition of the important role the practitioner's perspective plays in the work of regulators. The AMCC is inclusive of all affiliate members (currently 62) and has been directed to contribute to specific work streams by the IOSCO Board.<sup>2</sup>

For transparency reasons it may be interesting for the IAIS to maintain a list of interested parties.

#### About the GFIA

Through its 38 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 58 countries. These companies account for around 87% of total insurance premiums worldwide. The GFIA is incorporated in Switzerland and its secretariat is based in Brussels.

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<sup>2</sup> <http://www.iosco.org/news/pdf/IOSCONEWS311.pdf>