

To: Surya Prasad Silwal
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Date: August 4, 2023

Dear Mr. Chairman,

I hope this letter finds you well and that we will have the opportunity to meet again in the near future. In the interim, I would ask if your office would be willing to engage with the Global Federation of Insurance Associations (GFIA) on the new Reinsurance Directive 2080 (2023) and am writing to seek a virtual dialogue with your office (or another format, if that is more convenient).

This Directive is similar to the Additional Instructions related to the Reinsurance Directive, which was issued on 25 November 2021 and superseded the provisions of the Reinsurance Directive of 2078 (2021). Under the Additional Instructions, all reinsurance business was to be given to domestic reinsurers. Foreign reinsurance companies could only be offered the portion rejected by domestic reinsurers.

There was much discussion of this provision among the various stakeholders after which — even though the Additional Instructions were not repealed — a small percentage was permitted to be allocated to foreign reinsurers. The new Directive, however, has again introduced a restrictive provision in that it requires that 100% of life reinsurance business (after retention) shall be provided by domestic reinsurers.

GFIA, along with several other global industry groups, have engaged as the Coalition for Reinsurance Education (CORE) in recent years to discuss with regulators our belief that forced reinsurance localisation violates the IAIS Insurance Core Principles. Your impending localisation is therefore of concern to GFIA members and, as chair of the trade working group of the Global Federation of Insurance Associations, I would kindly request to engage with you to understand your prudential and financial stability objectives for



what our global members — both primary and reinsurance — believe is a mandatory offer of first preference to several domestic reinsurance companies.

Reinsurance serves many useful roles for risk transfer and customer protection and financial stability both micro and macro. GFIA, as an observer and stakeholder at the Organisation for Economic Cooperation and Development (OECD), has participated in recent OECD work with the Asia Development Bank Institute and believe there are international technical assistance and capacity resources available to provide multiple examples where reinsurance localisation leads to harm to consumers, taxpayers and economies. We have made similar comments this year in other markets, highlighting several where there is no identifiable prudential goal for review under the Financial Sector Assessment Program of the International Monetary Fund and the World Bank.

GFIA and its members (both operating in and outside Nepal) would be pleased to provide you with our thoughts on other more prudential options that would better facilitate the growth and development of the industry and protect Nepalese citizens. Please let me know how we may be of assistance and if we could schedule a dialogue in the coming days.

Yours sincerely

Brad Smith

Chair, GFIA Trade Working Group

About GFIA

The Global Federation of Insurance Associations (GFIA), established in October 2012, represents through its 40 member associations and 1 observer association the interests of insurers and reinsurers in 68 countries. These companies account for 89% of total insurance premiums worldwide, amounting to more than US\$4 trillion. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.