

To: Julien Reed, Chair, IAIS Market Conduct Subcommittee

Date: 8 August 2014

Subject: GFIA Comments on IAIS Application Paper on Approaches to Conduct of Business Supervision

Dear Chair Reed,

The Global Federation of Insurance Associations (GFIA) which through its 38 member associations represents insurers that account for around 87% or more than \$4.0 trillion in total insurance premiums worldwide would like to express its appreciation to the IAIS for the opportunity to provide input on its *Application Paper on Approaches to Conduct of Business Supervision*, issued on June 19.

We would like to commend IAIS for a thoughtful paper which provides useful examples of the variety of approaches that regulators use to support the conduct of business principles set out in ICP 19. It is clear that regulators are making a renewed commitment to COB supervision.

The paper recognizes that regulatory regimes differ from jurisdiction to jurisdiction and, quite appropriately, does not try to suggest that all jurisdictions adopt a single model or that one approach is better than another. Using the results of the survey that IAIS undertook of its members is an excellent way to demonstrate the range of regulatory tools and measures that can prove effective, given the regulatory, structural, historical and cultural differences that exist from one jurisdiction to the next.

As an industry, we support the principles set out in ICP 19. It is important that customers around the world are able to have confidence in this industry, and that regulators are able to satisfy themselves that customers are being treated fairly. There is, of course, always a balance to be maintained. Insurance provides a societal benefit and access to insurance and to advice about insurance is important. As such, each regulator should assess both the effectiveness of its current approach and the risks and benefits of possible changes, to ensure that consumers continue to be well served. For instance, industry structural changes imposed by some jurisdictions could prove both unnecessary and deleterious in other jurisdictions. Lack of insurance has negative implications for society, and supervisors should be cognizant of not creating any unnecessary barriers to access to insurance.

Our members would note that the concept of "fair treatment" can be quite subjective, and expressed concerns that supervisors be cautious about making any arbitrary new interpretations of the law. The key role of supervisors is to ensure compliance with the regulatory regime. Any changes to that regime should be made with appropriate due process.

We concur with the observations in sections 34-37 of the need for close communication and collaboration by COB and prudential supervisors. Paragraph 37, however, may be interpreted as suggesting, that COB considerations should prevail when there is a conflict between managing COB risks and financial



soundness/prudential risks. It would depend on the circumstances and we would suggest that both need to be managed collaboratively.

We agree with the point set out in paragraphs 61 and 62 that supervision should be risk-based and apply the concept of proportionality. Although not explicitly stated, we expect that such proportionality would be applied to consideration of any offences and penalties as well.

Paragraph 210 references the need for insurers to notify consumers and supervisors of any breaches in confidentiality. Equally important, we would submit, is the need for supervisors to notify supervised entities if data about them, or data they hold, has been breached in the supervisory process.

Thank you for the opportunity to comment on this Application Paper. We believe that it makes a useful addition to the regulatory reference material on supporting COB supervision.

Yours sincerely,

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About the GFIA

Through its 38 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 56 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.