

## GFIA feedback on the IAIS strategic plan 2020-2025

GFIA welcomes the opportunity to comment on the IAIS' strategic plan 2020-2025, and the key issues to be considered during the coming five-year period. In addition, the industry would welcome the opportunity to contribute further to the strategic plan's development, once the IAIS has made progress with a draft.

### **General comments**

Good regulation is key for a healthy (re)insurance industry, but regulatory developments should not conflict with the objectives of economic growth and stability. As recognised by policymakers globally, the (re)insurance sector has a key role to play in supporting growth, investment and financial stability, and its ability to do so should not be unnecessarily impeded by regulation. GFIA is therefore of the view that the IAIS should remain focused on improving standards in regulation, while avoiding hindering insurers' role in society. Consequently, thorough assessment and testing of new proposals will be key, and the IAIS should take a measured approach to what it is possible to achieve over the next five years.

### **Key strategic aspects**

**Political and regulatory:** GFIA shares the view that political and regulatory aspects play a key role in relation to the work of the IAIS. The IAIS by-laws themselves underline the body's role as an objective standard setter without the legal authority to require the implementation of its standards. This remains within the remit of individual jurisdictions. However, the IAIS' work has the potential to impact the availability of products aimed at advancing domestic policies which seek to promote economic growth, ensure secure retirement, and generally assume risk. In its development of common standards, the IAIS should therefore take into account the differences between domestic regulatory regimes and products, as well as the legal and accounting frameworks in place in different jurisdictions. This will ensure domestic regulators are well-placed to adopt IAIS standards in a way that is consistent with their regulatory framework and market structure.

**Economic:** The (re)insurance sector is a key financial market player and one of the largest institutional investors globally, as well as a significant driver of economic growth. Fostering growth remains a top priority for governments and, as the role of the (re)insurance sector in supporting growth is acknowledged by policymakers across IAIS jurisdictions, the IAIS should consider any negative consequences its proposals could have. For example, this could come through impact assessments for projects with potential global implications, such as the Insurance Capital Standard (ICS). At the same time, the IAIS should consider the impact of its proposals on (re)insurers' ability to contribute to financial stability.

**Technological:** New technologies and innovation already play a core role in the development of (re)insurance products and business models. The IAIS should help ensure that supervisors are up to date in relation to advances in technology and innovation in order to best serve consumers and industry. As a result, the IAIS' strategy should ensure that regulation is flexible enough and future-proof to ensure (re)insurers' ability to exploit technology to its full potential.

Global standards, particularly around conduct of business, must be developed in a forward-looking way to avoid becoming outdated as technology advances. It is also important that traditional (re)insurers and new market participants offering innovative products should be subject to the same regulatory and supervisory requirements in order to offer consumers adequate protection, and safeguard fair competition in the market. To effectively achieve these objectives, regulation and supervision must be activity-based, as opposed to being focused on insurance entities.

**Environmental:** Climate change, and the consequential increasing number of natural catastrophes around the globe, further underlines the importance of readily available (re)insurance cover. This is not just the case for smaller developing markets. However, barriers to trade and protectionism are on the rise and prevent (re)insurers from entering markets and providing the cover needed. Protection against the impact of natural catastrophes contributes to economic and financial stability, as such major catastrophic events can be systemic for an economy where risks are retained locally. The IAIS should enhance its role in supporting economic and financial stability by promoting freedom of (re)insurance.

**Social:** The (re)insurance industry must respond to social challenges, in particular ageing, rising inequality and the changing ways of work. Regulation must therefore facilitate the industry's response by providing insurers with the necessary flexibility for developing and delivering appropriate products. For example, the industry must not be restricted in its ability to respond to the risks posed by an ageing population via overly burdensome regulatory requirements (eg capital requirements) which would make it more difficult to deliver on the guarantees required in long-term retirement products. GFIA recognises that the social aspects identified by the IAIS are, and will continue to be, relevant to its work and objectives. However, these will likely not prove decisive in the realisation of strategic goals.

GFIA would additionally suggest two fundamental points that should form an integral part of IAIS work:

- **Proportionality:** Insurance undertakings worldwide are highly diverse when it comes to their size and nature. Policies developed by the IAIS should take this into account.
- **Prescriptiveness:** During recent work to revise the ICPs, the IAIS has shown a tendency to become overly prescriptive without clear prudential reasoning. GFIA is of the view that this trend does not necessarily lead to supervisory convergence.

### **Key strategic objectives**

Given the political context, the IAIS should consider how best to foster a stable regulatory environment that is not subject to the current cyclical swings between overregulation and deregulation. The IAIS should aim to create the right environment for fair competition and continuous innovation, to allow insurers to deliver good customer outcomes, achieving a balance between the needs of customers, firms and public policy. Creating a stable regulatory environment will need clear focus on the objectives of both regulators and supervisors, teamed with independent oversight of how their regulatory activities are matched against key objectives. It should equally support the role of (re)insurers as long-term investors in the economy, and their role as providers of solutions for a broad range of customers and risks.

In addition, the IAIS should encourage regulators to work in partnership with enforcement agencies and individual sectors, proactively equipping firms with the tools they need to combat financial crime. Globally, financial crime including insurance fraud, money laundering, bribery and corruption, and terrorist financing puts firms and



customers at risk. At a national level, criminals undermine the integrity of financial markets, strain public resources and dilute trust. At a global level, they pose a real threat to financial stability. Tackling economic crime effectively requires going beyond increased spending on compliance by firms. It requires awareness, understanding and resources on the part of supervisors to ensure a balanced, risk-based and proportionate approach to regulation. It also requires collaboration and cooperation between supervisors and those they regulate. It is in the interests of both organisations and regulators to build effective relationships, otherwise commercial activity may be limited in order to avoid falling foul of regulation.

### **GFIA contact**

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### **About GFIA**

Through its 40 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 61 countries. These companies account for around 87% of total insurance premiums worldwide. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.