

To: Felix Hufeld
Chairman, IAIS Executive Committee International
Association of Insurance Supervisors c/o Bank for
International Settlements
CH-4002 Basel
Switzerland

Date: 7 September 2015

Subject: GFIA views on the recent IAIS statements on the development of a global Insurance Capital Standard

Dear Chair Hufeld,

The Global Federation of Insurance Associations (GFIA) welcomes recent statements from the IAIS regarding its proposed timelines for the development of a global insurance capital standard (ICS).

GFIA has spoken at many IAIS stakeholder meetings this year about the need for a considered and thoughtful approach to the ICS, while emphasizing that designing a workable measure is more important than meeting artificial timelines. GFIA is therefore pleased to see that the IAIS is adopting a more pragmatic approach and is prepared to take the time necessary to test and develop proposals that will reflect developments in local and regional capital regimes.

GFIA agrees with the IAIS that its ultimate comparability goal should not be an objective for the first iterations of the ICS, and cannot be ascribed an artificial deadline. GFIA urges the IAIS to continue engaging in a programme of incremental change, working with regulation as developed in local jurisdictions, and making use of their proven effectiveness. This should include further reflection on the nature of comparability.

GFIA also agrees with the deferral of the early version of the ICS, and its limitation to confidential reporting. This allows more time for the differences of view on valuation and other issues to be explored in depth, and for lessons to be learned from the revisions to local and regional capital regimes that are in place in so many jurisdictions.

As a first step, GFIA believes that the first version of the ICS to be designed for incorporation into ComFrame should recognise local capital regimes—that are consistent with the ICS framework on an outcomes-based analysis—as its suitable implementation. It is difficult at present to see beyond this stage, as much could happen between now and 2019. Adopting only a standard method for the ICS required capital and qualifying capital resources calculations would limit the flexibility that may be needed during the initial implementation stage.

However, there also needs to be a clear articulation of the purposes and consequences of the various stages of the ICS going forward, accompanied by rigorous field testing to ensure unintended consequences are avoided. GFIA is convinced that such a reiterative approach is more likely to produce an ICS which is appropriately designed, useful, and thoroughly studied and understood.

Finally, GFIA would like to welcome the introduction of regular dialogue sessions with the executive committee of the IAIS, the first of which was held in Macau on 18 June 2015. GFIA trusts that the subsequent meetings will be even more fruitful now that expectations, communications in advance of the sessions, and formats are clearer.



GFIA looks forward to continuing to work with you constructively on what is a very crucial issue for the insurance industry worldwide.

Sincerely,

GOVERNOR DIRK KEMPTHORNE
Chair, Global Federation of Insurance Associations

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About the GFIA

Through its 39 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 59 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.