

GFIA views on Insurance Capital Standard version 1.0 for extended field testing

GFIA Capital Working Group

IAIS Stakeholder Meeting

Kuala Lumpur, 1 November 2017

GFIA

Who?

- Global Federation of Insurance Associations, founded in October 2012

What?

- Represents, through its 40 member associations, the interests of insurers and reinsurers in 61 countries

Why?

- To increase industry effectiveness in providing input to international regulatory bodies and to contribute more effectively to the international dialogue on issues of common interest

ICS Timelines

- Timeline for development of ICS remains ambitious
- Considerable optionality remains in ICS version 1.0 for extended field testing
 - A number of very important aspects are to be determined in the 24 months remaining before scheduled adoption:
 - Valuation
 - Capital resources
 - Capital requirements
- IAIS should reconsider ICS timeline to ensure adoption of a standard that is fit for purpose

ICS Implementation

- It remains unclear how the ICS is to be implemented
- Local regimes consistent with the ICS framework on an outcomes-based analysis should be recognised as a suitable implementation of the ICS framework
 - Avoids insurers applying potentially different and conflicting regimes
 - Promotes comparability on an outcomes-basis
- IAIS should clarify their intentions regarding implementation of ICS

ICS 'Other methods'

- A capital framework should have an appropriately-calibrated standard method
- GFIA welcomes IAIS' consideration of other methods:
 - External models
 - Internal models (partial or full)
 - Variations of the standard method

ICS Diversification and risk mitigation

- Diversification and risk-mitigation are central features of the insurance business model
- This is recognised by ICS Principles 1 and 6:
 - ICS Principle 1: *The ICS is a consolidated group-wide standard with a globally comparable **risk-based** measure of capital adequacy for IAIGs and G-SIIs*
 - ICS Principle 6: *The ICS promotes sound **risk management** by IAIGs and G-SIIs*
- To promote these principles, ICS needs to appropriately and explicitly recognise use of diversification and risk-mitigation techniques:
 - Reinsurance
 - Profit-sharing
 - Hedging



For more information

www.GFIAinsurance.org