



IAIS Stakeholder Meeting – ICS Issues IIF/GA Joint Presentation

Nashville

January 13, 2018

Outline

1. Starting point: GA/IIF comments on ICS v1.0
2. Kuala Lumpur Agreement – open issues
3. Kuala Lumpur Agreement – proposed ways forward

Starting point: GA/ IIF comments on ICS version 1.0

1. Take the time necessary to prepare the ICS properly
2. First address the fundamentals of the ICS, then sequence further development
3. Appropriately reflect and align to the nature and important societal role of insurance in regional and individual markets
4. One-size-fits-all model not appropriate
5. Avoid excessive “noise” (volatility, procyclicality)

Kuala Lumpur Agreement – open issues

“A unified path to convergence of group capital standards in furtherance of [the IAIS’] ultimate goal of a single ICS that achieves comparable outcomes across jurisdictions.”

The KL Agreement:

- Changes neither the ICS fundamentals nor the time frame
- Makes clear the willingness of the IAIS to take the ICS further; and
- Leaves many issues unclear or unresolved

We continue to have questions...concerns...and suggestions.

Kuala Lumpur Agreement – proposed ways forward (1)

Further development

- The IAIS should not prematurely eliminate options, including in the 2018 Field Testing.
- The IAIS must commit to making further adjustments throughout the Monitoring Phase to reflect available data and analysis.
- *We recommend* a scheduled formal review during Y1 and Y3 of the Monitoring Phase (e.g., at the end of 2021 and 2023.)

Kuala Lumpur Agreement – proposed ways forward (2)

Mandatory confidential reporting

- How will confidential reporting be conducted during the Monitoring Phase (MP)? For whom? Legal basis?
- What process will the IAIS use to ensure consistent and ample reporting of data during the MP; conduct meaningful analysis and discussion; and continue to maintain an opportunity for input from participating firms in the refinement process? Are Colleges an appropriate venue?
 - If reporting to Colleges, how to ensure no supervisory action based on the data will be triggered?
- *We recommend* that the IAIS propose and consult on a process for the Monitoring Phase that preserves confidentiality and provides a workable forum for considering the MP data and refinements to the ICS.
- *We recommend* that the IAIS engage with rating agencies and other market analysts to explain the nature of the data and reinforce that the Monitoring Phase is not official supervisory reporting.

Kuala Lumpur Agreement – proposed ways forward (3)

Comparability

- What will “comparability” mean when considering whether the application of different jurisdictions’ regimes meets the “ultimate goal”?
- *We recommend* that the IAIS
 - Focus on comparability of regulatory outcomes;
 - Propose a process, with criteria, for evaluating «outcome-equivalence» of the different methods to implement the ICS, such as the aggregation methodology;
 - Ensure that the development of a such methodology is done in open consultation, based upon meaningful data.

Kuala Lumpur Agreement – proposed ways forward (4)

Methodology

- What process will be applied to Internal Models?
- What will be the process for consideration of GAAP Plus and Internal Models within the ICS by the end of the Monitoring Phase?
 - *We recommend* that simplifying assumptions to the MAV approach be made.

IIF & GA Member Commitments

IIF and GA Members are well-equipped to work with the IAIS and its Members to raise constructive questions. As well, we are working to be able to present workable solutions.

- We continue to support an ICS which is not prescriptive and which respects local and regional differences.
- We urge the IAIS to continue to allow lessons-learned to be reflected in the ICS.
- We welcome continued discussion with the IAIS on the development of the ICS as a quantitative measure in ComFrame.