

Cover note

Public Consultation Document on the Basic Capital Requirements for Global Systemically Important Insurers

Thank you very much for your interest in the IAIS' proposed Basic Capital Requirements (BCR) for global systemically important insurers (G-SIIs).

The development of the BCR is the first step of the International Association of Insurance Supervisors' (IAIS) project to develop group-wide global capital standards. The second step is the development of Higher Loss Absorbency (HLA) requirements to apply to G-SIIs, due to be completed by the end of 2015. The HLA will build on the BCR and address additional capital requirements for G-SIIs reflecting their systemic importance in the international financial system. The third step is the development of a risk based group-wide global insurance capital standard (ICS), due to be completed by the end of 2016, and to be applied to Internationally Active Insurance Groups (IAIGs) from 2019 after refinement and final calibration in 2017 and 2018. The development of the ICS will be informed by the work on the BCR.

The BCR is the foundation for Higher Loss Absorbency (HLA), together with which it forms a consolidated group-wide capital requirement. A primary goal of the BCR is to introduce a common measure for capital assessment to be used as a comparable foundation for the calculation of HLA. When finalised, the ICS will replace the BCR in its role as the foundation for HLA. The key principle is that G-SIIs should be required by their group-wide supervisors to hold higher levels of regulatory capital than would be the case if they were not designated as G-SIIs.

This public consultation provides an opportunity for comments on a specific BCR proposal that has been based on an illustrative calibration level. The actual calibration level will be initially determined after further analysis in July and August of information collected from field testing volunteers. Because of the interlinkage of BCR and HLA, the actual calibration may be further modified depending on the HLA requirements. From 2019, G-SIIs will be required to hold capital in excess of the BCR plus HLA.

From 2019, HLA will commence to apply to G-SIIs – HLA will initially be based on BCR as a foundation, but later will be based on ICS as a foundation. The exact timing of the transition of the foundation from BCR to ICS will depend upon the adoption date of the ICS by the IAIS and upon the time required for jurisdictions to develop and implement the necessary legislative frameworks for implementation of the ICS. The scheduled ICS adoption date is October 2018. Calibration of HLA may need to be revised once the ICS has been adopted.

In order to facilitate an efficient compilation process, comments must be submitted through the IAIS website www.iaisweb.org and not by any other means (e.g. Word or Excel documents sent directly to the IAIS). We appreciate your understanding and cooperation.

Please note the following instructions before you provide comments:

- Anyone, including IAIS Members and Observers, is welcome to provide comments.
- Members and Observers should login to the secure part of the website and use the page: <https://extranet.iaisweb.org/Projects-Activities/Consultations-and-Surveys/Consultations-and-Surveys-946>
- Public users should use the page: <http://www.iaisweb.org/News/Consultations/Consultations-947>
- The deadline to submit comments is midnight (Central European Summer Time) on 8 August 2014.
- Mandatory questions regarding a respondent's status are marked as mandatory.
- Comments should be provided against the correspondingly numbered sub-sections from the consultation document.
- General comments (such as comments on the future role of the BCR once the ICS is in place) should be provided against sub-section 1.1.
- Comments on the overall calibration level should be provided against sub-section 6.1.
- If you need to stop and return to the comment form later, please click on the "Next" button to ensure that your answers are saved. When you return, Members and Observers should login to the secure part of the website and use the page: <https://extranet.iaisweb.org/Projects-Activities/Consultations-and-Surveys/Consultations-and-Surveys-946>
- Public users should use the page: <http://www.iaisweb.org/News/Consultations/Consultations-947>
- You can provide additional sets of comments, via the same process, until the deadline on 8 August 2014.
- Please use the navigation buttons at the bottom of each page, or in the "jump to" section on the top right of each page, to move around within the comment form. Do not use your web browser's navigation buttons.
- After the consultation period ends, the IAIS will compile and publish all comments received with resolution of issues. If you wish to keep your comments confidential, please indicate so by clicking "yes" on the appropriate box on the next page.

You must click the "submit" button on the last page of questions in order to submit your comments. You can also request a PDF of your answers for your own records at the end of the comment form.

Please do not hesitate to contact the IAIS via IAIS@bis.org or +41 61 225 7300, should you have any questions.