



# PROGRES

Programme on Regulation, Supervision and Legal Issues

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27 September 2011

## **Geneva Association Intervention at IAIS ComFrame Dialogue in Seoul**

The Geneva Association would like to thank the IAIS for inviting us and other observers to comment on the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame).

### Two General comments:

1. We support the ComFrame initiative in potentially reducing regulatory and supervisory complexity, facilitating the efficient conduct of insurance business
2. We also support the ComFrame as potentially enabling the insurance industry to contribute even more to social and economic challenges

Seven Specific comments (reacting to the IAIS questions and including issues of overarching interest and special importance):

1. Request for a solid legal basis for the IAIS ComFrame and early broad political support  
One of the principal issues which needs to be addressed early in the process is a clear-cut legal foundation and the legal nature of ComFrame itself. This may require a prior political agreement of at least the major countries involved. ComFrame needs to find early and broad political support from key governments; otherwise the whole exercise may run the risk of ending in a legal vacuum and confusion when the new regulations are introduced.
2. Stressing the need to avoid an additional layer of regulation, which increases complexity and costs  
If not designed carefully, ComFrame runs the risk of creating needlessly complex additional regulation. There is also a danger of simply imposing another supervisory layer on IAIGs in addition to the existing ones. This would run counter the objective of creating a more efficient supervisory framework for insurance that benefits markets and consumers, and that makes business easier for insurance providers.  
  
The work on ComFrame is an opportunity for insurance regulators to streamline the supervisory process of IAIGs and to reduce the regulatory burden companies currently face. However, in its present form, the Concept Paper would rather add to this burden while providing no or little regulatory relief that would ameliorate the IAIGs' situation reducing complexity and cost. There needs to be a clear articulation and correlation between the Insurance Core Principles (ICPs) and ComFrame.
3. Review of the ComFrame moving it from a prescriptive to a principle based framework  
To reach its goals, ComFrame should be much less prescriptive than its current version, take into account or recognise existing regulatory standards. ComFrame, in its essentials, should concentrate on group-wide supervision issues and not be diluted by general rules applicable to the overall insurance business. Otherwise there is a danger of increasing compliance costs to the insurance business and decreasing the value-added for the policyholders.

4. Alignment of the ComFrame with national and supranational supervisory frameworks

In our view, the supervisory framework for IAIGs must be aligned with all related national and supranational supervisory frameworks in order to work properly and to avoid any unintended consequences or market distortions. IAIGs are currently faced with a complex national and international regulatory environment that at times prevents more efficient operations, especially of a trans-border nature.

If ComFrame is to be successfully applied for group-wide supervisory standards it is essential that it respects the existing (and to be introduced) norms and helps insurance groups to operate efficiently rather than creating possible conflicts between different supervisory regimes (not least those applied to insurance but set by other authorities than those represented in the IAIS) and potentially affecting the level playing field.

5. A step by step approach setting minimum standards and respecting existing frameworks

In the absence of a single global jurisdiction with a single global supervisory authority, it becomes questionable how a global group supervisor would actually enforce regulatory decisions on individual supervisors in another jurisdiction. Ways to overcome or limit the legal discrepancy could be put in place through a single global supervisory authority or a global group supervisor (located in the home country of the group). Given the very long-term character of such a vision in the meantime common minimum standards could provide the necessary framework. The Geneva Association would prefer a step by step approach which, as a first step, provides minimum standards of supervision with the recognition of existing frameworks and as a last step, a uniform process of supervision.

6. Request for confidential treatment of any information provided to the supervisory authorities

Regardless of its concrete content, confidentiality of any information provided by companies needs to be adequately ensured. More concrete information on how the IAIS will address this issue would be welcome.

7. The need to preserve the insurance industry's resilience demonstrated during the financial crises

As the financial crisis has shown, insurers – and prominently among them the IAIGs that are targeted by ComFrame – have shown strong resilience in spite of severe market turmoil. This resilience needs to be preserved. ComFrame should not become an instrument to introduce unnecessary regulation to a sector that did not create the financial crisis nor contributed to it in any meaningful way.

Final remark

The Geneva Association endorses the IAIS's efforts to advance the effective international regulation and supervision of the insurance sector and its providers. We welcome the intention to make group-wide supervision more effective and more reflective of actual business practices and to foster the global convergence of regulatory and supervisory measures and approaches. The Geneva Association is keen to continue its ongoing discussions with the IAIS and to coordinate with other observers.

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