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Study of Insurance Economics

Études et Dossiers

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Layout & Distribution: Valéria Kozakova

International Supervisory Cooperation. In Search of Better Regulations and Supervision

Brian K. Atchinson

Better Regulation & Supervision



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- Transborder supervisory cooperation and its effects on the insurance industry

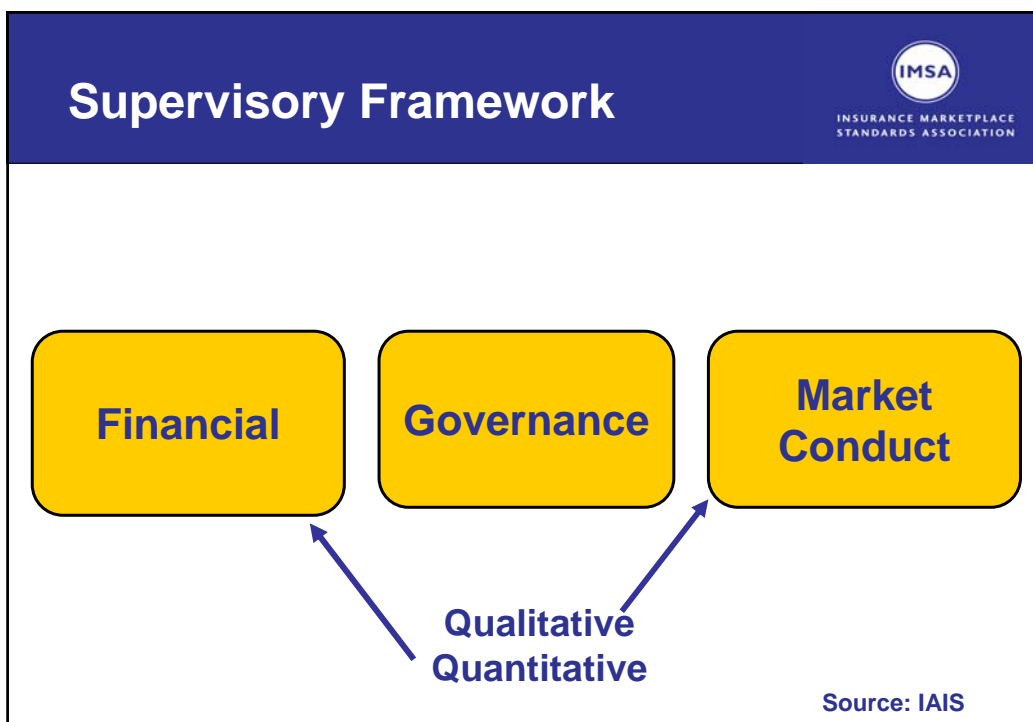
Open Markets Require Regulatory Oversight



The Regulatory Challenge



- **Promote a healthy and competitive marketplace**
- **Meet the needs of consumers, companies, producers, shareholders and government**
- **Minimize impediments and costs to businesses and consumers**



-
- IAIS: Lessons Learned**
- IMSA
INSURANCE MARKETPLACE
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- **Transparent and consistent regulation is vital**
 - **No single correct supervisory approach successfully brings about a healthy insurance marketplace**
 - **Transparency breeds confidence and trust among consumers**
- The slide is titled 'IAIS: Lessons Learned' and features three bullet points. The text is in a bold, dark blue font. The slide has a blue header bar with the IMSA logo and name.

Regulation – A Difficult Balance



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- **Too little regulation – Creates market distortions & short-term gains for a few**
- **Too much regulation – Harms the market**

Regulatory Tools



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- **Transparent laws and regulations**
- **Adequate staff -- trained and compensated**
- **Quality data collection**
- **Timely analysis**
- **Determine compliance with laws, regulations and SRO/BPO standards**
- **Examinations**

Supervisory Cooperation Cross-Border Challenges



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Consumer Needs

Ability to make informed choices
using reliable information

- Transparency
- Meaningful disclosure
- Best Practices

Transnational Regulatory Cooperation or Competition



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- Sharing of Regulatory Best Practices
- Keeping Regulation up-to-date
- Or a Race to the Bottom?

Supervisory Cooperation Leads to Comparisons and.....



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- Flow of Capital
- Flow of Companies

Regulatory Best Practices – A Worthy Goal



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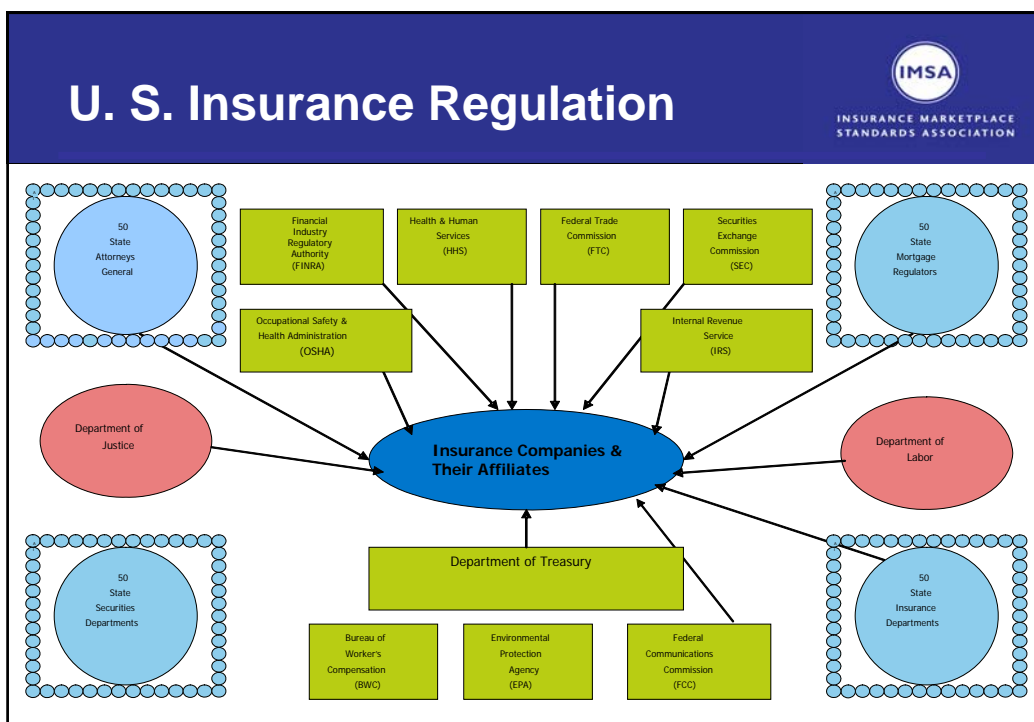
- Practices to Emulate
- Practices to Avoid



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Yours, Mine or Ours

- Capital Adequacy Standards
- Product Regulation – or not
- Rate Regulation – or not
- Contract Certainty Requirements
- Sales Practice Standards
- Others



Regulatory Cooperation or Competition?



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Fixed Indexed Annuities Jurisdiction?

SEC? FINRA?

State Insurance Regulators?

State Securities Regulators?

State Attorney Generals?

Effective Self-Regulation



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- ❖ **Provides a qualitative overlay**
- ❖ **Monitors regulatory changes**
- ❖ **Reduces business risks**
- ❖ **Enterprise Risk Management -- key indicator**
- ❖ **Management commitment -- key indicator**


Best Practices and Self-Regulation



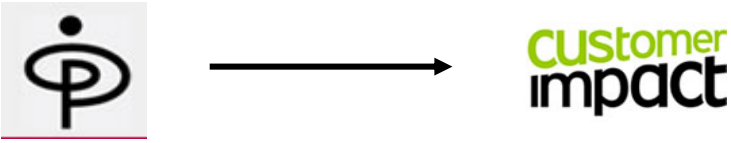
- **Responsive to the marketplace**
- **Timely standards development**
- **Consistent standards nationwide**
- **Balanced industry-regulatory solution**

United Kingdom





Raising Standards



IMSA's Role in the U.S. Marketplace



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Insurance Marketplace Standards Association

Organized 1994-1996 as a response to the crisis of damaged consumer trust and confidence in the insurance industry.

Standards: Marketing, Advertising, Sales & Service.

Self-Regulation is Good for Business



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IMSA-qualified companies associated with:

- **Almost two levels higher A.M. Best ratings**
- **4% higher Return on Equity**
- **8% increase in cost efficiency**
- **3% increase in revenue efficiency**

Source: Georgia State University Center for Risk Management and Insurance Research, 2006



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**In a fair, well-regulated
marketplace,
everyone wins:
consumers, shareholders,
companies, and regulators.**