



Press Release

International Association of Insurance Supervisors

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IAIS Releases Proposed Policy Measures for Global Systemically Important Insurers

Public consultation to continue through 16 December 2012

Basel – The International Association of Insurance Supervisors (IAIS) today released its proposed policy measures for global systemically important insurers, or G-SIIs. The paper was endorsed for consultation by the Financial Stability Board (FSB), which is coordinating the overall project to reduce the moral hazard posed by global systemically important financial institutions. Supervisors, insurers and other interested parties are encouraged to submit comments on the proposed policy measures through 16 December.

“These proposed policy measures are intended to reduce moral hazard and the negative externalities stemming from the potential disorderly failure posed by a G-SII,” said Peter Braumüller, Chair of the IAIS Executive Committee. “Each of the proposed policy measures has also been designed to take account of the specific nature of the insurance business model and is the result of intensive and thorough discussion at the IAIS.”

The IAIS has proposed a framework of policy measures for G-SIIs based upon the general framework published by the FSB with adjustments that, as with the proposed assessment methodology, reflect the factors that make insurers different from other financial institutions. The proposal consists of three main types of measures:

1. **Enhanced Supervision.** These measures build on the IAIS Insurance Core Principles and the FSB’s *Supervisory Intensity and Effectiveness* recommendations and include the development of a Systemic Risk Reduction Plan and enhanced liquidity planning and management.
2. **Effective Resolution.** Based on the FSB’s *Key Attributes of Effective Resolution Regimes for Financial Institutions*, which include the establishment of Crisis Management Groups, the elaboration of recovery and resolution plans, the conduct of resolvability assessments, and the adoption of institution-specific cross-border cooperation agreements. The IAIS proposals take account of the specificities of insurance through the inclusion of plans for separating non-traditional, non-insurance (NTNI) activities from traditional insurance activities, the potential use of portfolio transfers and run-off arrangements, and the recognition of existing policyholder protection and guarantee schemes.
3. **Higher Loss Absorption (HLA) Capacity.** This proposal utilises a cascading approach. In the first step if, and to the extent to which, the G-SII has demonstrated effective separation of NTNI activities from traditional insurance activities, targeted HLA will be applied to the separate entities. Under the second step, whether or not NTNI activities have been separated, an overall assessment of group-wide HLA needed will be undertaken and the group wide supervisor will determine whether the HLA capacity held at the NTNI entities is sufficient or needs to be further increased.

More information, including a list of frequently asked questions, is available at www.iaisweb.org.

About the IAIS: The IAIS is a global standard setting body whose objectives are to promote effective and globally consistent regulation and supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders; and to contribute to global financial stability. Its membership includes insurance regulators and supervisors from over 190 jurisdictions in some 140 countries. More than 120 organisations and individuals representing professional associations, insurance and reinsurance companies, international financial institutions, consultants and other professionals are Observers. For more information, please visit www.iaisweb.org.
