

IAIS Stakeholder Meeting – ICS Issues IIF/GA Joint Presentation

Basel

5 December 2017

Agenda

1. Key GA/IIF comments on ICS v1.0
2. Does the Kuala Lumpur agreement address all GA/IIF concerns?
3. Questions raised by the Kuala Lumpur Agreement
4. The future contribution of the GA/IIF

Key GA/ IIF comments on ICS version 1.0

1. Take the necessary time 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)

Does the Kuala Lumpur agreement address all IIF/GA concerns?

The KL agreement:

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

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

Questions emerging after the Kuala Lumpur Agreement (1)

Further development

- The IAIS must not close the door to making further adjustments throughout the monitoring phase.
 - We suggest a scheduled formal review at, for example, the end of 2021 and 2023.

Questions emerging after the Kuala Lumpur Agreement (2)

Mandatory confidential reporting

- How will confidential reporting of further field testing results be conducted during the monitoring phase? For whom? Legal basis?
- How will IAIS collect meaningful feedback from Colleges to inform the development/refinement of ICS?
- How will confidential reporting of these field testing results be used in supervisory colleges without resulting in supervisory action?
 - We urge the IAIS to engage with rating agencies and other market analysts to explain the nature of the data and that the monitoring period is not official supervisory reporting.

Questions emerging after the Kuala Lumpur Agreement (3)

Comparability

- What will “comparability” mean when determining whether different jurisdictions’ regimes meet the “ultimate goal”?
 - It is critical that the IAIS address the process, including criteria, for evaluating «outcome-equivalence» to the ICS of other methods, such as the aggregation methodology; and that this development be done in open consultation, based upon meaningful data.

Questions emerging after the Kuala Lumpur Agreement (4)

Methodology

- What process will be applied to Internal Models? New approval mechanism?
- Can simplifying assumptions to the MAV approach be made?
- What will be the process for consideration of GAAP Plus and internal models within the ICS by the end of the monitoring period?

The Future Contribution of the IIF/GA

IIF and GA Members aim to provide answers, solutions and critical questions.

- 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.
- We will refine these views and present them at the Nashville Stakeholder Meeting. IIF and GA look forward to an opportunity to discuss these issues with the IAIS Leadership and the Executive Committee.