

**Written Comments for the Observer Hearing
at the IAIS Technical Committee meeting
20 October 2008 – due 9 October 2009**

Observer Name: Morag Fullilove

Job title: Consultant

Organisation: Group of North American Insurance Enterprises (GNAIE)

Topic 1: Insurance: Systemic risk, interconnectedness and macro-prudential tools

Do you intend to present orally (yes/no)? No

Topic 2: Effective supervision – lessons learned from the financial crisis

Do you intend to present orally (yes/no)? **YES**

Comments

1. In your view, how could the legal framework and structure of regulation of insurance companies and groups in particular be improved (e.g. capital, risk management, governance and financial reporting requirements, etc.)?

The Group of North American Insurance Enterprises (GNAIE) believes a solvency framework applicable to insurance and reinsurance companies globally should treat domestic and foreign insurers equally without discrimination among jurisdictions.

The objectives of the solvency framework should be to:

- a) Implement a principles-based framework where supervisors rely upon company risk management practices subject to appropriate levels of oversight;
- b) Provide reasonable policyholder protection, without regard to size, geographic location, and legal form of the insurer;
- c) Encourage insurers to use best practice risk management techniques;
- d) Foster the transparency of solvency requirements to insurers;
- e) Foster the transparency of insurers' capital adequacy to consumers;
- f) Encourage harmonization of global supervisory solvency requirements, where appropriate, and cooperation among regulators; and
- g) Promote a sound and competitive insurance market through an efficient and effective supervisory environment.

2. What improvements can be made to supervisory methods and processes (e.g. methods of intervention, expertise of supervisory resources, frequency of on-site and off-site examinations, etc.)?

Changes in solvency standards should lead to streamlined supervision of insurance groups. Improved collaboration among regulators in the surveillance and monitoring of insurer groups would increase efficiencies yet preserve the authority of the domiciliary regulator. But such a regime should not unduly add to the regulatory burdens on insurers. Care should be taken so that any group supervision proposals do not unjustly create a new level of regulation on top of existing requirements.

3. What are the lessons learned about the supervision of insurance groups? What should be done differently?

International solvency standards should work to streamline supervision of insurance groups. This would include calculation of solvency for any insurance group on a group-wide basis by a "group supervisor". Insurance group supervision should recognize existing risk diversification benefits and capital mobility within the group.

4. What are your views on the IAIS proceeding with research into the design and practicality of a common assessment framework for insurance group supervision? What elements (E.g. quantitative, qualitative, structure, etc) should be considered in a common assessment framework for insurance groups?

We encourage the IAIS to involve observers in the discussions related to the common assessment framework. GNAIE fully supports the development of international standards for insurance regulation. We have not taken a position on a common assessment framework, but would welcome the opportunity to explore the options with the IAIS as you deliberate this important issue.