Creating the first global insurance capital standards

Insurance Governance Leadership Network

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ViewPoints

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> [A global capital standard] is critical because if we get this right, we can deal more effectively with issues of cross-border recognition, and more generally seek to simplify the capital regime. The prize is therefore big, and firms need to be involved with us in the work."[1]
>
> – Andrew Bailey, deputy governor of the Bank of England and chief executive of the Prudential Regulation Authority

Discussions within the Insurance Governance Leadership Network (IGLN) have repeatedly returned to evolving approaches to regulation and supervision. Of special concern have been capital requirements, which continue to rise, and the concurrent challenging capital environment. The International Association of Insurance Supervisors (IAIS) is now developing the first-ever global capital standards for large insurance groups. In this context, IGLN participants continue to raise questions about the direction and purpose of capital regulation and whether there is a clear end goal for regulatory reform. One director asked, *"Where are we going, exactly? What should the system look like, and are we appropriately balancing safety and soundness with growth?"*

"An enhanced capital standard may recognize problems sooner, which gives more scope to mitigate and actually reduces the number of insolvencies."
- Insurance expert

The new regulations may lead to significant adjustments to companies' structures, strategies, and footprints. Industry watchers suggest the effects will be far reaching, creating challenges and opportunities not only for large global insurers, but for smaller insurers and non-traditional players as well. Most also agree that stakeholders should become involved in the conversation now, as those who do not engage in the global debate may forfeit the chance to influence it.

On December 9, insurance directors, executives, and regulators gathered to discuss the evolution of the first global capital standards for large insurers and the changing role for boards in overseeing capital. During these conversations, several key themes emerged. This *ViewPoints*[2] centers on three of these themes:

- The creation of global capital standards creates challenges and opportunities
- Supervisors and insurers will have important issues to resolve after preliminary standards are set
- Boards are revisiting how they oversee capital

The creation of global capital standards creates challenges and opportunities

IGLN participants generally agree that clear global standards will, if effectively implemented, promote comparability, transparency, and trust. Nevertheless, insurers,

industry observers, and some supervisors have raised a number of questions about the capital standards under development and their implications for insurers, markets, and customers.

"It's hard to argue that you don't need a consolidated view or that you can take risks in non-core areas and not understand the impacts."
– Executive

The concerns fall into five broad categories:

- Are supervisors converging around a target level for standards or a means to unite disparate solvency regimes?
- Will standards strike the right balance between nuance and simplicity?
- Will new requirements cause insurers to adjust business models in ways that adversely affect some customers?
- How might new standards actually increase risk?
- As a capital requirement is only one of many tools available to limit systemic risk, will others get consideration?

Impending global capital standards

The IAIS is developing three capital standards for internationally active insurance groups. Each one will be submitted for consultation and field tested prior to implementation. All will be developed by 2016 and take effect in 2019. For more information on the key milestones in the capital standards development process, see Appendix 1.

- **Basic capital requirement (BCR)** *Completed October 2014*

  Financial Stability Board (FSB) guidelines for the nine designated globally systemic insurance institutions (G-SIIs) require that these groups have a greater capacity to absorb losses, consistent with the greater risks they pose to the global financial system. The BCR creates a comparable capital baseline for the application of higher loss-absorbency requirements.

  The BCR will apply to the insurer's entire book of business, including all group structures and financial and material non-financial activities. It comprises 15 factors and makes use of a market-adjusted valuation.[3] The BCR will be reported confidentially to group supervisors beginning in 2015. When additional data is available, the IAIS may make revisions to the instrument. Field testing indicates that the average level of the BCR is 75% of local prescribed capital requirements for G-SIIs.[4]

- **Higher loss absorbency (HLA)** *Completion by the end of 2015*

  The HLA standard is designed to improve the resiliency of G-SIIs and to reduce the probability of a failure. It is intended to apply to non-traditional, non-insurance (NTNI) activities. According to one policymaker, *"HLA sits on top of the [basic capital] requirements, and the focus is just non-traditional and non-insurance activities."* Consistent with a focus on risk, rather than just size, HLA may impose

(Continued overleaf)

stricter capital requirements on activities such as variable annuities, newer products with limited histories, or credit default protection. Beginning in 2019, G-SIIs will be required to maintain capital above BCR plus HLA.

- **Insurance capital standard (ICS)** *Completion by the end of 2016*

  By December 2016, the IAIS aims to have completed the ICS, though it will be subject to additional refinement. The standard will apply to groups subject to the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), or approximately the 50 largest global insurers.[5] When the ICS is finalized, it will supplant the BCR as the foundation for the HLA standard for systemic institutions.

Are supervisors converging around a target level for standards or a means to unite disparate solvency regimes?

Directors and executives raised a number of questions regarding the ultimate purpose of new global capital standards and the means by which the IAIS will bring together disparate solvency and valuation regimes.

- **Minimum versus more stringent standards.** Will global standards require systemic insurers or large groups to hold more capital then they currently do? *"Any global standard has to be more stringent than the most stringent existing standard. Otherwise, what is the point?"* one executive declared. Several participants observed that banks have been required to hold about 25% more capital, which seems like a reasonable benchmark for large insurers. However, preliminary basic capital requirements for systemic insurers fall roughly 25% below some existing local capital requirements, prompting one director to ask, *"Is the goal to increase overall capital or just capital on so-called non-traditional, non-insurance products?"* One regulator responded, *"We are still debating this point. In order to make higher loss absorbency [the capital charge on NTNI] meaningful, it will have to be very large on top of BCR. It is hard to get to a higher level of capital with HLA."*

  The recent IAIS proposal for the ICS notes, "The ICS is designed to establish minimum standards for setting levels of capital for [internationally active groups] … Supervisors may adopt additional arrangements that set higher standards or higher levels of minimum capital."[6] Even if there is a will to establish a higher overall standard for systemic or large groups, true global standards often tend to converge around a minimum.

- **US and European convergence on valuation.** Despite wide recognition that supervisors need to *"have a common language,"* countries are concerned about creating a new regime that is incompatible with existing ones. Regulatory regimes in Europe have committed to market-based valuation, while regulators in other parts of the globe, including North America and Asia, take a different approach. Furthermore, the US is in the process of developing its first group-wide capital standard. While countries remain flexible in these discussions, there is great pressure to produce a global standard that is consistent with domestic ones. The gap between

"Are there global standards that are the high-water mark in anything? Are we chasing a dream?"
– Director

"When we sit together, we cannot communicate. It is like Fahrenheit and centigrade."
– Regulator

the US and Europe is significant, and one director noted, *"IAIS faces a real challenge in reconciling these two different philosophical approaches. It will take a long time to get there."* The current IAIS proposal uses a market-adjusted valuation approach as the basis to develop the capital standard. This approach attempts to bridge the gap, but it is not consistent with European Solvency II regulation or capital regimes in the US. In addition, field testing will collect data using the Generally Accepted Accounting Principles (GAAP) valuation approach favored in many part of the world, and will require firms to submit information that reconciles the distinct approaches. This information will be used to assess whether a modified or adjusted GAAP approach is possible.[7]

"A market-adjusted approach introduces procyclical balance sheet volatility that is problematic for regulating the solvency of insurers." – North American CRO Council[8]

Will standards strike the right balance between nuance and simplicity?

The short window for development, coupled with limited industry and external input, is causing some industry watchers to worry that the new standards will not take into account important considerations regarding the nature of the insurance business.

- **Risk sensitivity.** To create the BCR, regulators sacrificed risk sensitivity for expediency and simplicity, but regulators and policymakers insist that the ICS will be much more risk sensitive. The factor-based BCR has been criticized for not explicitly capturing asset-liability matching (ALM), diversification, and certain risk characteristics associated with asset management. In particular, ALM is both a significant source of risk and a fundamental tool for offsetting obligations to policyholders. In response to concern about sensitivity in the BCR, one regulator noted, *"Diversification, hedging, asset-liability matching, operational risk – all of these things will be debated in the ICS process. It is a much more detailed approach. When compared to the BCR, we will request seven to eight times more data to create it."*

- **Timing.** Historically, development of complex and significant regulatory standards has taken much longer than is proposed for these insurance standards: European policymakers took over a decade to develop the Solvency II standards, and regulators have been developing comparable Basel capital standards for banks for several decades. One non-executive director remarked, *"This is Basel [capital standards] for insurance. That makes some sense, but how long have they been working on Basel?"*

"There's not a lot of time to fix anything if there is a problem." – Director

- **Diverse stakeholder engagement and perspectives.** Furthermore, IGLN participants wonder if there has been sufficient discussion of diversity within the industry, the important differences between banking and insurance operations, and the relationship between capital standards, profitability, and positive customer outcomes. One non-executive director asked, *"At the [FSB] level, is there enough dialogue to move the insurance process forward correctly? How do we ensure there is more dialogue there?"*

  Some directors were somewhat surprised to learn that the potential impact on profitability did not enter in debates to set international standards. One regulator said, *"We understand that without profit you don't have capital. But, our mentality is that you, as the boards, should be focused on that. As such, it does not feature as*

prominently in our conversations." One director distinguished between national and international regulatory considerations in this way:

> *At the national level, the primary concern is policyholder protection, which means that a focus on profitability is essential. That is not present in the international debate. There is an assumption that the locals worry about profit and that systemic risk is a different, and perhaps somewhat opposed, goal from policyholder protection.*

- **Transparency.** Concerns about stakeholder engagement may be intensified by recent changes in the IAIS governance process. In an effort to improve efficiency, the IAIS recently limited industry, consumer, and expert attendance at certain meetings, and it is now creating a new stakeholder consultation process. Several trade associations and regulatory groups, including the US National Association of Insurance Commissioners, have been vocal in their opposition to this move, citing concerns about openness and transparency.[9] Yoshi Kawai, secretary general of the IAIS, responded, "Right now, there is a system in place in which only certain stakeholders are given enhanced access rights, such as the ability to attend hearings … We are proposing one in which any interested stakeholder can follow and participate in … an efficient and structured manner."[10]

Insurers worry that demanding deadlines and recent process changes will constrain participation and lead to errors and problems with the standards. Policymakers have to balance speed against those risks, since loss of momentum can diminish the likelihood of achieving consensus regarding new regulations.

Will new requirements cause insurers to adjust business models in ways that adversely affect some customers?

At the most recent annual IAIS conference, John Huff, director, Missouri Insurance Department, said:

> When we talk, debate, and discuss concepts at the IAIS … we must remember that our decisions may have both positive and negative implications for policyholders in our home markets. Therefore we must be sure to consider the unintended consequences of our work as it develops. Let's also acknowledge that there are competitive implications as well.[11]

"The capital drain will lead to non-commercial decisions. It won't be good for policyholders or shareholders."
– Director

Participants noted that new requirements may alter the way the insurance business model is conceived in the following ways:

- **Capital will be less fungible.** One director observed, *"Regulators have to protect themselves and their constituents. There will be no fungibility. That is the real challenge to the business model."* To the extent excess capital cannot flow to the group and back to subsidiaries, insurers will benefit less from diversification and certain capital efficiencies, and have less to invest back into the group. They caution that those costs could be transferred to customers.
- **Systemic institutions may become smaller**. One director said, *"The price of being a [systemically important financial institution] is so onerous that you have to*

give it some thought. Would we be better off as a number of smaller companies? I am not saying we are going down that route, but you have to give it some thought."

While regulatory capital requirements are just one of several factors putting pressure on insurers' bottom lines, directors are united in their view that the pressure from these requirements is significant. While the BCR falls well below local capital requirements, the IAIS has indicated that the combination of BCR and HLA will require more capital than G-SIIs currently hold. Given that BCR requirements are equivalent to 75% of current requirements and that HLA is restricted to NTNI activities, it seems probable that HLA requirements will be quite significant for G-SIIs.[12] In light of these capital charges, consistent definitions for systemically risky activities and consistent application of HLA become more important.

Participants were most concerned about the ways in which business model changes could adversely affect customers:

- **Insurers may shed capital-intensive products, raise prices, and exit markets**. There are two root causes for this. First, HLA may be so high as to make NTNI products less viable. Second, current challenging capital conditions make it difficult to raise and maintain capital. One director noted, *"We are in a double bind. It is harder to find capital at the same time that standards are going up. The likely result is movement away from capital-intensive products, higher costs, market exit, and not serving certain segments."* Another director said, *"You already see a flight from capital-intensive businesses and from unprofitable lines and parts of the globe."* Several insurers have suggested that this sort of discipline is often good for companies, but may not always be in the best interest of customers. One director said, *"It can be a very difficult picture. For growth, everyone looks to the developing world, but margins can be razor thin. Can you profitably serve those customers? If they are not served, then do you see less growth and stability in those regions?"*

"I think most boards are taking a much harder look at how they make money."
– Director

- **Insurance products may become less useful to customers.** Several directors noted that standards could drive boards to make decisions for regulatory reasons that would be bad for customers. Participants cited the virtual elimination of guarantees, a product customers want, as an illustration. At the same time there was recognition that guarantees are an example of a product whose risk has not always been managed well. One director further noted that those nations leading regulatory discussions are all highly developed. Should developed nations be tasked with deciding which products are safe in the developing world, where markets and needs are very different?

How might new standards actually increase risk?

While standards will certainly protect against some types of risk, to the extent they encourage changes in business models and markets, new standards may also introduce risk:

- **Diversification might decrease.** One director said, *"The thing to understand is that if we shrink, we lose the diversification benefit. At some level that will make companies less safe."* In addition, tools designed to reduce possible contagion, such

as ring fencing, may work well in banking but could be harmful in insurance. According to another director, *"To ring fence would be to make companies less robust and less able to cope."*

- **Innovation might decline.** National limits on capital mobility will necessarily constrain complex insurance groups and could limit growth and innovation throughout the insurer. As one director noted, *"The group acts as a capital aggregator – the dividends roll up – and it is the outward face to the shareholders and capital markets. The group can fund innovation in actuarial, in product, and throughout the company. This is part of their broader role, but regulators don't see this."*
- **Procyclicality might increase.** Several directors observed that more prescriptive standards and increased use of market-based valuation could promote procyclicality in the industry. According to one director, the general risk of more prescriptive standards is *"that everyone does the same thing. It is herd behavior … capital regimes can promote procyclical behavior."* More specifically, some critics claim that the BCR's simple methodology may overstate or understate capital requirements, increase balance sheet volatility, and encourage procyclical investment behavior.

"Regulation of insurance companies – in particular the combination of mark-to-market valuation methods and risk-based capital requirements – might, in some instances, encourage pro-cyclicality."
– Bank of England[14]

Procyclicality in insurance

Because they must offset long-term liabilities, insurers and pension funds provide a source of long-term investment to the economy, and because they are less susceptible to short-term pressures, they can act as a stabilizing or countercyclical force. However, certain products and behaviors within the industry can be procyclical. One director observed:

> *We all need to do a better job of differentiating the portfolio or we lose credibility. When we financially engineer products, they are correlated. They can be procyclical. It is not only about random events, like a hurricane here or there. Those things are not correlated, but some products are. We do a disservice when we don't differentiate. Savings products are a good example.*

A recent Bank of England report found some evidence of procyclical investment by insurance companies following the dot-com bust and the recent financial crisis.[13] The report also cautions that the increase in regulatory flexibility or forbearance in periods of stress, coupled with the lack of granular data on aspects of asset allocation, including derivatives, may have dampened and obscured procyclical behavior. So policymakers must recognize that protecting policyholders could, at times, contribute to financial instability.

Finally, regulatory forbearance, while useful for limiting aspects of procyclicality, can also create incentives for it. Forbearance is typically applied asymmetrically and in an ad hoc manner. This treatment could benefit weaker firms, discourage countercyclical behavior in larger ones, and discourage firms from building buffers in good times.

Several participants suggested that public policies, insofar as they drive investment behavior, could create the next crisis. One director suggested that prevention of future crises requires monitoring not only the financial policies of the largest financial institutions but also of the largest nations. Nevertheless, no one denies that it is the activities of financial institutions, and not merely public policies, that lead to institutional and systemic failures, which, in turn, create the impetus for new regulations.

- **Management and the board may be distracted from other strategic responsibilities**. Directors continue to be concerned about the time and attention they must devote to new requirements. One director said, *"We cannot focus on running the business with so much time on regulations."* Another agreed, noting, *"Even if you get the absolute levels of capital right, you may fall over anyway because you didn't spend enough time or energy on the other issues."*

- **Shadow financial services sectors may grow**. Several participants suggested that services for less profitable segments will move into the less regulated parts of the market. *"I would expect new capital rules will cause some insurers to rethink NTNI [activity],"* said one executive. He continued, *"But if we stop doing it, it doesn't mean it goes away. A less regulated entity will probably take it up if there is a market need."* In October, the FSB released a report suggesting that non-bank financial intermediation continued to grow in 2013 by roughly 7% to $75 trillion. Those assets represent approximately 25% of total financial assets.[15]

As a capital requirement is only one of many tools available to limit systemic risk, will others get consideration?

A combination of industry and supervisory entities continue to argue against overreliance on capital standards and in favor of other tools and improvements in governance. One director said, *"Holding capital is not an efficient way to deal with scale. It is an issue of supervision and culture."* They mentioned several other methods of combating systemic risk:

- **Using targeted tools.** Supervisors have a host of tools to apply in times of stress. While additional capital may enhance buffers against unexpected losses and thereby minimize systemic risk, capital is a blunt instrument and typically does not target specific risks. Identifying sources of systemic risk specific to each insurer, such as guarantees, mass policy surrender, or concentration risk, would allow supervisors to target sources of risk more accurately, rather than through a broad tax on insurers' balance sheets.

- **Adjusting governance structures to address requirements.** As capital and other requirements increase, many boards are revisiting their roles and responsibilities to ensure that they are adequately prepared to respond to the new regulatory regime. One director asked, *"What is the role for the full board on regulatory capital and solvency? What gets decided in committees? It seems like the regulators expect everyone to be able to explain the internal model. Is that the best use of the board?"* Another said, *"There are now non-executives on most subsidiary boards. Are we pushing down things appropriately? What is the role of the group versus*

subsidiaries?" Facing heightened expectations and increasing responsibilities, boards are revisiting their governance frameworks.

Supervisors and insurers will have important issues to resolve after preliminary standards are set

While the development of global capital standards is a significant hurdle, participants agreed that it is only the beginning of the process and that many other challenges would need to be worked through over time.

- **Standards will evolve over time.** The clear message from the regulatory community is that standards will be created in the next few years, but the process will be iterative. One regulator noted, *"It will be an evolution. It won't end … I think we understand that it will be difficult to get to a high level of capital standards in the first round. We seek common ground first, a place to work from."*
- **Capital and other new standards will interact, with unknown results**. One director said, *"I think we are decent at understanding isolated risks. It becomes much harder where things overlap."* The difficulties can be seen with the new regulations: how will recovery and resolution planning (RRP) requirements and conduct requirements interact with capital rules? With respect to RRP, one director said, *"In banking we have resorted to ring fencing. What is the approach in insurance? How do you balance the strength of the group with wholly owned subsidiaries? This will come to the front with RRP issues."* Likewise, insurers wonder how conduct rules and increasing fines will impact prudential regimes.
- **International groups and supervisory colleges need to define their roles to ensure cross-border consistency.** Participants asked how international groups like the European Insurance and Occupational Pensions Authority and the IAIS would operate once local and global standards are in place. While both organizations will continue to work to refine standards over time, there is also scope to focus on consistency in implementation of the new requirements.
- **The increasing number of standards tests insurers and investors alike.** One director asked, *"How many regimes will systemic insurers be under? When you look at accounting, reporting, and solvency, it includes IFRS, GAAP, ComFrame, GSII, Solvency II, stress testing, US solvency, and Basel IV."* This is clearly challenging from a management perspective, but it also raises important issues for communicating with investors. One director said, *"The IASB has defined the balance sheet and income statement. IAIS will define capital. There are so many different measures that it can mislead the market. Which is best?"*

"We need a more consistent model on regulatory colleges. They are very different, which calls into question function and objectives."
– Director

Boards are revisiting how they oversee capital

For directors, the advent of new capital and supervisory requirements raises important questions about the role and function of an insurer's board.

- **How do supervisors expect the board to oversee internal models?** Many regulators remain suspicious of models, given the failures in the banking industry. That being the case, boards are keen to understand how to ensure their companies

"Right now we are focused on outputs, calibration, and validation. We expect boards to focus on similar issues."
– Regulator

have appropriate models and how to secure model approval. At a high level, *"the board should know where it is being racy or prudent,"* said one regulator. Directors widely acknowledge that not all board members have sufficient expertise to challenge models. What is most important is that *"directors understand the critical assumptions,"* said one director.

- **How is the relationship between group and subsidiary boards changing**? The independence requirements for subsidiary boards are increasing, which is affecting the relationship between the group and subsidiaries. One director said, *"Governance becomes more problematic when you expect independent governance in subsidiaries. What does the group expect? And the regulators? Are you driving more responsibility to local boards?"*

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One executive summed up the challenge for insurers as follows: *"Group consolidated standards will be a feature going forward. It is inevitable and desirable. The question is how do we want to shape that process in a way that respects the uniqueness of individual groups, the diversification, and the difference between banking and insurance?"* While global standards are new to insurance, the experience in other financial sectors demonstrates that initial standards will continue to evolve over time, necessitating ongoing constructive engagement from industry and other stakeholders. According to one regulator, *"All sides will have to compromise or there is no common valuation, no level playing field. If you just live where you are, you never get progress."*

About the Insurance Governance Leadership Network

The IGLN addresses key issues facing complex global insurers. Its primary focus is the non-executive director, but it also engages members of senior management, policymakers, supervisors, and other key stakeholders committed to outstanding governance and supervision in support of building strong, enduring, and trustworthy insurance institutions. The IGLN is organized and led by Tapestry Networks, with the support of EY. *ViewPoints* is produced by Tapestry Networks and aims to capture the essence of the IGLN discussion and associated research. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, member of senior management, advisers, and stakeholders who become engaged in this leading edge dialogue, the more value will be created for all.

About Tapestry Networks

Tapestry Networks is a privately held professional services firm. Its mission is to advance society's ability to govern and lead across the borders of sector, geography, and constituency. To do this, Tapestry forms multistakeholder collaborations that embrace the public and private sector, as well as civil society. The participants in these initiatives are leaders drawn from key stakeholder organizations who realize the status quo is neither desirable nor sustainable, and are seeking a goal that transcends their own interests and benefits everyone. Tapestry has used this approach to address critical and complex challenges in corporate governance, financial services, and healthcare.

About EY

EY is a global leader in assurance, tax, transaction, and advisory services to the insurance industry. The insights and quality services it delivers help build trust and confidence in the capital markets and in economies the world over. EY develops outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, EY plays a critical role in building a better working world for its people, for its clients and for its communities. EY supports the IGLN as part of its continuing commitment to board effectiveness and good governance in the financial services sector.

Appendix 1: Key milestones in the implementation of global insurance capital standards[16]

Expected Timing	Key Milestone
Nov. 2014	G20 leaders endorse the BCR proposal
Feb. 2015	Initial consultation on ICS closes
From 2015	Confidential reporting of BCR to group-wide supervisors with access by the IAIS for the purpose of reviewing and refining the BCR (to be provided in conjunction with the IAIS field testing process)
Feb. 2015	Deadline for responses to the ICS consultation document
Mid-2015	Initial consultation document on HLA released
Mar. to Sept. 2015	Field testing of HLA and ComFrame, including ICS
Late-2015	HLA proposal to be finalised & endorsed by G20
Mar. to Sept. 2016	Further field testing of ComFrame, including ICS
Dec. 2016	ICS to be agreed, subject to further refinement via field testing
2017-2018	Further refinement of ComFrame, including ICS, via field testing
Late-2018	ComFrame, including ICS, to be adopted by IAIS
From 2019	Implementation of ComFrame, including ICS, to commence
From 2019	HLA commences to apply to G-SIIs, initially based on BCR as a foundation, later to be based on ICS as a foundation

Appendix 2: Meeting Participants

AIG

- John Fitzpatrick, Risk and Capital Committee Chair and Audit Committee Member
- Steve Miller, Chairman of the Board
- Daniel Rabinowitz, Global Head of Regulatory Capital Policy

Allianz Insurance Ireland

- Jan Carendi, Non-executive Chairman

Aviva

- John Lister, Group Chief Risk Officer

Assicurazioni Generali

- Sabrina Pucci, Non-executive Director

CNP Assurances

- Marcia Campbell, Audit and Risk Committee Member

International Association of Insurance Supervision

- Yoshi Kawai, Secretary General

Old Mutual

- Roger Marshall, Audit Committee Chair, Board Risk Committee Member, Nomination Committee Member and Remuneration Committee Member

Prudential Regulation Authority

- Chris Moulder, Director – General Insurance

RSA Insurance Group

- Alastair Barbour, Group Audit Committee Chair and Investment Committee Member
- Kath Cates, Non-executive Director and Risk Committee Chair

Sanlam

- Paul Bradshaw, Non-executive Director

Zurich Insurance Group

- Sue Bies, Risk Committee Chair and Audit Committee Member

EY

- Martin Bradley, Global Insurance – Finance, Risk & Actuarial Leader
- Shaun Crawford, Global Insurance Sector Leader
- Neeta Ramudaram, Director – Financial Services, Insurance

Tapestry Networks

- Dennis Andrade, Principal
- Leah Daly, Principal
- Jonathan Day, Vice Chairman

Endnotes

[1] Andrew Bailey, "Meeting the Challenges of a Changing World – the View from the PRA" (speech at the Association of British Insurers Biennial Conference, London, July 9, 2013), 7–8.

[2] *ViewPoints* reflects the network's use of a modified version of the Chatham House Rule whereby names of network participants and their corporate or institutional affiliations are a matter of public record, but comments are not attributed to individuals, corporations, or institutions. Network participants' comments appear in italics.

[3] The valuation is based on the amounts reported on an insurer's audited, consolidated, general-purpose balance sheets, with adjustments, as specified by IAIS, made to achieve comparability.

[4] International Association of Insurance Supervisors, *Basic Capital Requirements for Global Systemically Important Insurers* (Basel: International Association of Insurance Supervisors, 2014), 18.

[5] Internationally active insurance groups will be designated by national authorities but will be required to meet certain criteria related to international activity and size. Specifically, insurers must have premiums that are written in at least three jurisdictions, gross premiums written outside the home jurisdiction must be at least 10% of the group's total gross written premium, and the insurer must have total assets of not less than US$50 billion, or gross written premiums of not less than US$10 billion. International Association of Insurance Supervisors, Common Framework for the Supervision of Internationally Active Insurance Groups: For Consultation (Basel: International Association of Insurance Supervisors, 2013), 2.

[6] International Association of Insurance Supervisors, *Risk-based Global Insurance Capital Standard* (Basel: International Association of Insurance Supervisors, 2014), 7.

[7] Ibid., 15.

[8] Louie Woodall, "Industry Picks Holes in BCR Proposals," Insurance Risk, October 3, 2014.

[9] Stephen Durham, "Meetings Not a Spectator Sport, Says IAIS," C*aptive Insurance Times*, October 28, 2014.

[10] Louie Woodall, "IAIS Warned over Plans to Shut Members out of Committees," *Insurance Risk*, August 22, 2014.

[11] John M. Huff, Prepared Remarks – Keynote Address (IAIS Annual General Meeting, October 24, 2014).

[12] Louie Woodall, "Experts Call for Changes to First Global Insurance Capital Standard," *Insurance Risk*, October 30, 2014.

[13] Bank of England and Procyclicality Working Group, *Procyclicality and Structural Trends in Investment Allocation by Insurance Companies and Pension Funds* (London: Bank of England and Procyclicality Working Group, 2014), 21–32.

[14] Ibid, 24.

[15] Financial Stability Board, *Global Shadow Banking Monitoring Report 2014* (Basel: Financial Stability Board, 2014), 2–3.

[16] This appendix reprints the chart found on page 4 of International Association of Insurance Supervisors, *Basic Capital Requirements (BCR) for Globally Systemically Important Insurers (G-SIIs)*, Fact Sheet (Basel: International Association of Insurance Supervisors, 2014), with modifications to the first two dates based on updates.