Position Paper

Insurance Europe response to the IAIS consultation on proposed policy measures for Global Systemically Important Insurers

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Executive summary[1]

Q 1 (general comments)

Insurance Europe supports the work conducted by the IAIS in the area of systemic risk and financial stability with the objective of developing an approach that is appropriately tailored to the specificities of the insurance sector.

We welcome this opportunity to provide comments on the measures for Global Systemically Important Insurers (G-SIIs). However in the absence of further detail on the IAIS methodology for identifying G-SIIs and more specifically on activities considered systemically risky, it is difficult to deliver precise comments on the proposed measures. This is especially so given the need for measures to be carefully tailored to address the causes of systemic risk with the intent of reducing a G-SII's risk profile and ultimately removing it from the G-SII list.

It is essential that the policy measures are designed so that they target the identified systemically risky activities an entity engages in and are proportionate to the potential of the activity to create systemic risk. In our view a number of the proposed measures do not meet these objectives and in certain cases have the potential to expose the insurance sector to a greater level of risk as opposed to reducing it.

As regards the application of policy measures, Insurance Europe is of the opinion that the approach should be based on a process consisting of a number of successive steps.

- In this process, the first step should be to identify activities that have the potential to generate or transmit systemic risk, based on their characteristics (such as the fact that they would involve maturity and liquidity transformation, the creation of money-like liabilities or the inappropriate use of leverage, as suggested in the on-going FSB consultation, "Consultative Document - Strengthening Oversight and Regulation of Shadow Banking", 18 November 2012). If so, it should then be examined whether the activity is being undertaken on a scale that is systemically relevant.

[1] This response follows the structure provided by the International Association of Insurance Supervisors (IAIS) for responding to its consultation document.

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- Following this, supervisors should assess whether an insurance group involved in such activities can adequately deal with the risks through its internal risk management framework, capital position and internal control processes. Indeed, risks may be mitigated via appropriate internal risk governance measures, supervisory reporting and/or appropriate supervision.

- Other measures, such as the separation of activities, should only be envisaged as a next step and for systemically relevant activities. If applied in a generalised and unspecific manner, the separation of activities could have a significant negative impact on an insurer's activities.

- Insurance Europe is of the opinion that Higher Loss Absorbency (HLA) should only be considered as a last resort, after assessing the appropriateness of other measures. In addition, it is important for any HLA requirements to be properly calibrated, taking into account similar supervisory and regulatory tools in place at national or regional level. The use of higher loss absorbency should only be envisaged for systemically risky non-traditional non-insurance activities (NTNIAs) and be directly linked to the potential for the activity to generate systemic risk.

- Insurance Europe would like to raise its strongest concerns on the possibility that group wide capital requirements could be imposed on insurers. A group-wide HLA would not provide appropriate incentives for G-SIIs to reduce their involvement in systemically risky activities and would create a distortion of competition between G-SIIs and other insurance providers.

Insurance Europe understands based on the consultation document that the IAIS has such a step-by-step approach in mind for the application of policy measures in insurance. Insurance Europe would encourage the IAIS to make more explicit that this is indeed the case.

Given the possible distortive effects of the envisaged measures if applied unduly to activities which are not systemically relevant, Insurance Europe strongly believes that every effort should be made to ensure that both the methodology and proposed measures are appropriate. In addition the practical implementation of the proposed measures will require further dialogue between supervisory authorities and insurers. In this respect we would strongly urge the IAIS to reassess the envisaged timeline of the current process to allow for further analysis in order to ensure genuine consistency between the proposed measures and the identification methodology. This would clarify which activities are deemed systemically relevant, and under which circumstances. Insurance Europe would welcome a new opportunity of having a dialogue on the updated methodology, as a follow-up to the 2012 July consultation, and on measures based on the updated methodology.

1. Introduction

Q 2 (general comments)

Insurance Europe welcomes the work conducted by the IAIS on systemic risk with the objective of contributing to a stable and sustainable international financial system. In particular, we appreciate the IAIS' genuine efforts to develop a specific approach for insurance, given the important differences between insurance and other sectors, especially banking. The potential of the insurance and banking sectors to generate systemic risk concerns is not only different because of the structures of the two sectors, but also because of the significant difference in scale of respective involvement in potentially systemically risky activities, as demonstrated by the recently published research of the Geneva Association ("Cross industry analysis, 28 G-SIBs vs. 28 Insurers, comparison of systemic risk indicators", 11 December 2012).

As mentioned in its response to the June consultation, Insurance Europe is concerned that the envisaged G-SII methodology is based on a broad range of categories and indicators, many of which are linked to traditional insurance activities. This approach is counter to the generally shared view that there is little evidence of traditional insurance either generating or amplifying systemic risk within the financial system or real economy.

Insurance Europe continues to believe that the IAIS' illustrative list of NTNIA should be re-evaluated as it remains unnecessarily broad and incorporates a number of activities that do not pose a systemic risk (for example life portfolios of contracts with financial guarantees including Variable Annuities (VA) and trade credit insurance). In addition, it should be kept in mind that just because an activity is a NTNIA it does not automatically follow that it is of systemic importance. Insurance Europe wishes therefore to reiterate its view that the methodology should be reviewed in order to focus specifically on activities which have the potential to raise systemic risk concerns.

In order to better understand the underlying thinking behind the categorisation of activities as NTNIA and to limit uncertainty regarding which activities should be included in this categorisation, it would be helpful to develop a list of criteria which characterise specific activities from a systemic risk perspective. In this respect, we consider that the on-going FSB work on strengthening the regulation of shadow banking could serve as a basis for a more accurate definition of activities which could be considered systemically risky. The FSB work, which focuses on activities which involve maturity and liquidity transformation, the creation of money-like liabilities or the inappropriate use of leverage, would allow for a more precise identification of NTNIA's which could be considered systemically risky in an insurance context.

In Insurance Europe's opinion it is important to ensure that there is a clear link between the methodology and the measures. This is for the moment not the case. In particular, the methodology may capture traditional insurers as G-SIIs, while most measures (such as HLA capacity and the development of systemic risk reduction plans (SRRP)) aim to target specifically the activities that raise systemic risk concerns, and would therefore not apply to such traditional insurers. In our view, this inconsistency reinforces the need to adjust the methodology to ensure that traditional insurers are not unnecessarily determined to be G-SIIs.

Q4 (proposed framework of policy measures)

Given the significant role of insurers in enabling society to manage risk more efficiently and their role as long term investors, it is important to be mindful of possible negative unintended consequences of the measures, in terms notably of more expensive premiums and reduced coverage.

Some of the envisaged measures, if applied in an undifferentiated and comprehensive manner, risk generating significant unintended consequences for the role of insurance in enabling society at large to effectively manage risk. These consequences need to be carefully considered before any possible measures are implemented.

In general, instead of prohibiting, segregating, and restricting activities, the measures should encourage better risk management through own risk and solvency assessment (ORSA) and improved enterprise risk management (ERM).

2. Overview

Q8 (general comments)

Insurance Europe agrees that the objective of the G-SII policy measures should be to avoid the potential for moral hazard, resulting from a disorderly failure. It is important to recognize however that an insurer's failure is typically a long and orderly process does not require taxpayers' money. Therefore, the efforts of the IAIS should focus on those specific cases where the failure of an insurer may be disorderly, as a result of certain activities the insurer is engaged in. Such a focussed approach is also the only way to ensure that insurers regarded as G-SIIs are given the right incentives to become less systemically relevant. Insurance Europe is concerned that using the current, broad concept of NTNIA, the IAIS may not meet its objectives as outlined in paragraphs 8 and 9.

3. The G-SII policy measures

3.1 Overview

Q15 (general comments)

- It is fundamental that the envisaged measures target the activities that raise systemic risk concerns, as opposed to entities. In that sense, the IAIS should not excessively mirror for the insurance sector what the Basel Committee developed for the banking sector. In addition, it is important for the measures "to be proportionate", "to avoid unintended adverse consequences", and "to be directed at the source of systemic importance and linked to the assessment methodology", as indicated in paragraph 11. Insurance Europe is concerned that this may not always be the case with some of the envisaged measures.

- In particular, Insurance Europe would strongly oppose the introduction of group-wide higher loss absorbency requirements. As explained in more detail in the comments on this specific measure, we believe that requiring additional HLA capacity at group level would not address the systemic risk concerns and may have unintended negative consequences on the continued provision of insurance. Consequences could include the withdrawal of certain products and an increase in the costs of providing existing levels of coverage.

- Appropriate supervision could on the other hand, if focused on systemically risky NTNIA's have the potential to become a workable solution to managing the potential for systemic risk in insurance. Before deciding on whether additional supervision is needed consideration should first be made as to whether an insurer's supervisory regime already appropriately covers the risk in question.

- Insurance Europe considers that the proposed systemic risk reduction plan (SRRP) has the potential to become an appropriate tool in the IAIS systemic risk framework. However, this would be the case only if applied exclusively to activities which have the potential to raise systemic risk concerns. As stated previously, Insurance Europe is convinced that many of the activities classified by the IAIS as NTNIA do not actually pose, or do not have the potential to generate, a systemic risk. Such activities should not be targeted through inappropriate supervisory measures, such as the SRRP.

- Insurance Europe believes that supervisors should carefully consider to which activities regarded as systemically relevant the separation measures and constraints should be applied. As explained in more detail below, such an approach should only be considered for activities raising systemic risk concerns, and after a range of other options have been considered. If applied in a generalised and unspecific manner, the separation of activities could have a significant negative impact on an insurer's activities as well as unintended consequences.

- Insurance Europe is of the opinion that unlike in banking, in insurance the focus should be on recovery rather than resolution, due to the fact that an insurance failure is generally a much lengthier process. The need for new recovery and resolution mechanisms should be assessed against the backdrop of existing processes at national and regional level and considering the extent to which activities which raise systemic risk concerns could negatively impact the orderly resolution of an insurer. In general, Insurance Europe fails to see the rationale for additional resolution tools for insurance as there is no track record of a wind-up scenario where severe "systemic disruption" or "vital economic functions" were put at stake. In addition, the FSB key attributes, which were originally designed with the banking sector in mind, need to be further adapted to account for the differences between banking and insurance if they are to be applied in an insurance context. In this regard, we support the IAIS' work to adapt properly these attributes and we welcome the IAIS acknowledgement in Paragraph 30 of the need to incorporate insurance-specific elements.

Finally, we wish to reiterate our overarching concern that if left unchanged, the methodology will result in the designation of traditional insurers as G-SIIs. The policy measures developed by the IAIS, which focus on systemically risky activities, would not be suitable to insurers who do not undertake such activities. It is therefore essential that the methodology identifies only those institutions that engage in systemically risky activities.

3.2 <u>Enhanced supervision</u>

<u>3.2.1 General description</u>

Q 17 (general comments)

We support the view that supervision has a vital role to play in insurance in addressing concerns related to potential systemic risk. It is important for supervision to be proportionate and tailored to the risk profile of an entity or activity.

Insurance Europe also firmly believes that supervision should be risk based and therefore an assessment as to what form of enhanced supervision might be needed depends on the underlying risk or in this instance on the particular systemically important activity in question. Advanced and risk-based regulatory frameworks are likely to cover all aspects of insurance activities and impose tailored quantitative and qualitative supervisory requirements.

It is unclear what the IAIS means by 'enhanced supervision', given that regulation and supervisory practices in insurance are not globally consistent. This means that what might be regarded as enhanced supervision in one jurisdiction might well be viewed as standard in another. Therefore, it is important that any additional 'enhanced supervision' is only applied with reference to the regulation already in place in a jurisdiction and where there is a clearly identified supervisory gap/need. On this note no enhanced supervision should apply to activities that are not systemically relevant.

Supervisory powers should also remain balanced, and should not lead to a situation whereby supervisors would end up taking over the role of a company's board and/or management while a company is still a going concern.

Q 19 (on the desired outcomes of enhanced supervision)

Insurance Europe agrees that comprehensive group supervision is an important element of a supervisory regime and could ensure that potential systemic risk concerns are identified, monitored and managed effectively.

- We believe that the supervisor should supervise and assess a group's risk management policy, notably as regards risk concentration and intra-group transactions. In addition, subsidiaries active in other financial sectors and non-regulated entities should also be included in the scope of the group supervision and in the calculation of a group's capital requirement.

- Close coordination between supervisors is extremely important. In order for coordination to work effectively, the roles, activities, responsibilities and processes of all supervisors involved need to be clearly defined.

- Without a framework which builds an appropriate level of supervisory cooperation at the global level, there is a risk that supervisory "gaps" may emerge in the regulatory treatment of certain activities. Insurers active at the international level would also be subject to duplicative reporting lines and conflicting regulation.

- As some activities deemed systemically relevant might be conducted by entities in other financial sectors, subject to other financial supervisory regimes, we welcome the reference in paragraph 13 to enhanced cross-sector and cross-jurisdiction co-ordination via supervisory colleges. A well-functioning supervisory college, led by a group supervisor with clear supervisory responsibilities, is fundamental to the effective supervision of an international conglomerate or insurance group.

3.2.2 Enhanced liquidity planning and management

Q-21 (on liquidity planning and management)

Although we recognise the value of appropriate liquidity planning and management, Insurance Europe wishes to stress that the core insurance business model does not in itself expose insurance companies to substantial liquidity risk, to the extent that it would raise systemic risk concerns. In particular:

- On the liability side, most policyholder funds either cannot be withdrawn at policyholder discretion or can only be withdrawn with a penalty and subject to a cancellation period. Large single claims have long, sometimes even multi-year, pay-out periods.
- On the asset side, liquidity risk is mainly driven by collateral calls. These items do not change in value suddenly or unexpectedly and can often be anticipated in advance.
- Insurers match expected future claims by policyholders with sufficient assets and since most assets are long-term funded, short-term fire sales caused by liquidity shortages rarely occur.

In addition, advanced supervisory frameworks and management tools (such as those outlined in the CRO Forum publication on best practice in liquidity risk management, 2008) already address liquidity risk in an appropriate manner. In such cases, Insurance Europe does not see the need for additional enhanced liquidity planning and management.

3.2.3. Structural measures and the Systemic Risk Reduction Plan

Q 22 (on the SRRP)

Given the lack of clarity on the activities regarded as systemically relevant, and on the sequence of measures envisaged to address these concerns, it is difficult to provide a clear view on the proposed "Systemic Risk Reduction Plan". In Insurance Europe's opinion, the SRRP could be a useful tool only if applied strictly to activities which have the potential to raise systemic risk concerns. On the other hand, Insurance Europe is concerned that if applied to a wide range of NTNIA not raising systemic risk concerns, it would not target the potential sources of systemic risk in insurance.

One aspect in particular that remains unclear is whether the measures taken by a G-SII as part of its SRRP may actually result in that entity being removed from the list or being subject to more targeted measures, such as targeted HLA instead of group-wide HLA. An acknowledgement that this would be the case could provide an incentive to insurers to undertake the appropriate actions envisaged as part of the SRRP. In this respect greater predictability of supervisory responses to measures undertaken by insurers is necessary.

It is also important that the development of Systemic Risk Reduction Plan does not lead to situations whereby supervisors would undertake actions which are more appropriately carried out by an insurer's management.
Insurance Europe wishes to reiterate its concerns that if left unchanged, the IAIS methodology would result in traditional insurers being identified as G-SIIs. In such a case, the company could only reduce its perceived systemic risk – as part of its SRRP - by actions that are directly contrary to its wider role as a risk absorber and to its commercial interests. Such actions could include: reducing its premium income (to tackle size); withdrawing from certain countries or international sectors (to tackle global activity); and withdrawing from certain lines of business (to tackle substitutability). This reinforces the view that the methodology should be focussed on systemically relevant activities in order not to incorporate traditional insurers in the G-SII list.

Given the open questions relating to the proposed SRRP, Insurance Europe would welcome a specific dialogue on this tool on the basis of a final version of the methodology on the identification of systemic risk

3.2.3.1 Separation of non-traditional and non-insurance (NTNI) activities

Q 23 (on separation of NTNIAs)

Separation of activities should only be envisaged for activities which have the potential to raise systemic risk concerns. The current definition of NTNI includes a wide range of activities which do not raise or have the potential to raise systemic risk concerns. Imposing a separation of such activities would not be appropriate.

In terms of approach, supervisors should firstly determine whether the nature of a particular activity has any potential to generate or transmit systemic risk. If so, it should then be examined whether the activity is being undertaken on a scale that is systemically relevant. Following this, supervisors should assess whether an insurance group involved in that activity can adequately deal with the risks through its internal risk management framework, capital position and internal control processes. Indeed, risks may be mitigated via appropriate internal risk governance measures, supervisory reporting and/or appropriate supervision without the need to create self-sufficient legal entities. Separation should only be envisaged as a next step.

If applied in a generalised and unspecific manner, the separation of activities could have a significant negative impact on an insurer's activities, since it has the potential to:

- Make operational management of certain activities complex and costly.
- Introduce constraints on group capital management by limiting the fungibility of capital within a group and by eliminating the benefits of diversification.
- Weaken the holding company's ability to secure external funding and the capacity of the group to support M&A operations.
- Create a series of connected entities, each exposed to strongly concentrated risks, but without access to the group resources in order to absorb significant shocks, or the means to attract sufficient resources to do so alone.

Q 24 (on the separation of NTNIAs)

Insurance Europe is concerned by the potential for misunderstanding through the use of the phrase "subsidies in the form of capital and/or funding to the benefit of NTNI activities should not be allowed". Given that a subsidy is an economic concept rather than a legal one, there is the potential for supervisors to have different understanding of what could be considered a subsidy. We would therefore ask for a clarification from the IAIS on what the meaning of "capital subsidies" is in this case.

3.3 Effective Resolution

Q 31 (general comments)

The long-term nature of insurance liabilities and their extended run-off profiles generally ensure that sufficient time is available for taking corrective action in a deliberate and well-coordinated process. As a result of this specific characteristic, the main focus in insurance should be on recovery rather than on resolution.

Insurance frameworks generally contain measures applicable in recovery periods, portfolio run-off, novation, whole account reinsurance, insurance business transfer, schemes of arrangement and commutation plans or cross border mergers. In many cases these tools enable a company to remain in business after recovery. In addition, policyholders are protected in many jurisdictions by policyholder protection funds, insurance guarantee schemes or similar tools. On top of that, in Europe, Solvency II introduces a confidence level and a clear ladder of intervention as well as preventive action as a way of reducing the probability and impact of failure of an insurer. All these tools need to be taken account of before considering the introduction of additional mechanisms in insurance.

As regards resolution, we welcome the IAIS commitment to work on the FSB key attributes of effective resolution regimes to enable their application in an insurance context, given that they have been developed with the banking model in mind and are therefore not directly applicable to insurance. We welcome the IAIS' acknowledgement in paragraph 30 of the need to incorporate insurance-specific elements.

However, we do not see the need to introduce new resolution tools which would enable a speedy and quick resolution of an insurer. The extent to which an insurer failure could suddenly destabilise markets is limited due to the generally low levels interconnectedness between insurers and the rest of the financial system. Indeed, accelerating an insurer's wind-up could result in unnecessary destruction of value, policyholder detriment and could trigger pro-cyclical actions such as forced asset sales in depressed markets.

Q 32 (on the desired outcome of effective resolution)

Insurance Europe supports the desired outcomes of effective resolution presented in the Paragraph 25 of the consultation. However, we fail to see the rationale for additional resolution tools for insurance as there is limited evidence where the wind-up of an insurer resulted in severe "systemic disruption" or put "vital economic functions" at risk (as stated by the IAIS in the November 2011 report "Insurance and Financial Stability").

- In the event of it being unlikely to return to solvency, an insurer is placed into run-off. The formal procedure can vary across jurisdictions but generally includes measures such as administration, receivership and if necessary, liquidation. The structure of an insurance balance sheet whereby assets are matched with liabilities limits the possibility of liquidation being necessary. Past experience suggests that in all but a few cases, insurance resolution has resulted in the orderly winding up of the business with limited losses for policyholders.
- We think that on the global level, supervisory colleges are fundamental to ensure effective cooperation among national authorities in the event of the cross-border resolution of a conglomerate or an insurance group.
- We would welcome further action in removing barriers to cross-border resolution.

Q 33 (on the FSB key attributes)

The FSB's "Key attributes for effective resolution regimes for Financial Institutions" should be substantially amended to match the specificities of insurance and we welcome the IAIS acknowledgement in Paragraph 30 of the need to incorporate insurance-specific elements. The FSB's "Key attributes for effective resolution" were originally drafted with the banking sector in mind, and do not reflect the insurance business model. In addition further analysis is necessary on the extent to which the key attributes are incorporated into existing tools. Insurance Europe believes that Crisis Management Groups (CMGs) should be part of the existing supervisory colleges of G-SIIs rather than a completely separate forum.

Q 34 (on the role of authorities)

Insurance Europe does not consider the establishment of a specific resolution authority for insurance to be necessary. In various jurisdictions, only national supervisors can apply for an insurer to be entered into administration. A court appointed administrator manages the resolution process (resolution authority as such). In this respect the appointment of a national resolution authority may only require a formalisation of the supervisor's role as the initiator of the resolution process. However, the establishment of a specific agency to manage the resolution appears unnecessary given the rarity of the occurrence of such events.

Q 35 (on traditional insurance groups with a large derivatives portfolio)

Insurance Europe does not believe that a traditional insurer, with or without a large derivatives portfolio, should experience a disorderly run-off. The fact that a traditional insurer holds a large derivatives portfolio (acquired for hedging purposes) should not be a problem in a run-off scenario, where time is normally available to close off positions, including those relating to that portfolio. The only material difference between a run-off scenario and the normal course of business is that the insurer will not take on new business.

Against this background, Insurance Europe does not see the need to adjust the methodology or policy measures to the specific case outlined in paragraph 28. This being said, Insurance Europe remains open to a discussion on specific questions arising from the use of derivatives in insurance.

Q 38 (on resolution templates)

It is important that, if a template were to be developed for assessing the resolvability of G-SIIs it would be done in such a way that it would not limit the flexibility of national authorities in managing future resolutions.

3.4 Higher Loss Absorption (HLA) capacity

Q 39 (general comments)

Insurance Europe would like to raise its strongest concerns on the possibility that group wide capital requirements could be imposed on insurers. A group-wide HLA would not provide appropriate incentives for G-SIIs to reduce their involvement in systemically risky activities and would create a distortion of competition between G-SIIs and other insurance providers.

Also, HLA requirements should be properly calibrated and be envisaged as part of a toolbox, which would also include similar supervisory and regulatory tools in place at national or regional level. The use of higher loss absorbency should only be envisaged as a measure of last resort, for systemically risky NTNIA's where there are no appropriate similar supervisory and regulatory tools at national or regional level. In this respect the level of the HLA should be directly linked to the potential for the activity to generate systemic risk.

HLA measures which are not applied in a targeted and proportional manner could have a substantial negative impact on the continued provision of insurance.

- At the industry level, higher capital charges may reduce returns and trigger a reduction in new investment by the industry. This would eventually limit the risk capacity of the insurance industry.
- Higher funding costs could affect the cost of premiums for policyholders, resulting in price increases for households and commercial buyers.
- At the macro-economic level, additional capital requirements would limit the role of insurers as long-term investors in providing financing for long-term economic development. This could potentially result in a negative impact on growth.

Q 42 (absence of a global framework)

We regard the details provided on what would be considered as acceptable instruments in the application of HLA as being somewhat incomplete. Clearly further work is needed in identifying the desired properties of instruments which could be included in a definition of an international capital regime in an insurance context. In particular regional differences in terms of accounting and solvency standards and the current lack of a global definition of insurer capital are significant difficulties which would need to be overcome. While the consultation acknowledges the need to consider accounting and regulatory difference (paragraph 34), we are concerned that the proposed HLA measures do not take these differences into account.

Q 44 (capital charges taken into account)

We welcome the fact that HLA assessment takes into account capital charges imposed at national level to mitigate identified systemic risks. We believe the IAIS should equally consider the scope and nature of normal prudential requirements, as these may also mitigate systemic risks.

Q 49 (targeted HLA)

Insurance Europe considers that HLA should only be considered as a last resort, as part of a gradual approach which would initially assess the appropriateness of other measures. In addition, it is important for any HLA requirements to be properly calibrated, taking into account similar supervisory and regulatory tools in place at national or regional level. The use of higher loss absorbency should only be envisaged as a measure of last resort, for systemically risky NTNIA's where there are no appropriate similar supervisory and regulatory tools at national or regional level. In this respect the level of the HLA should be directly linked to the potential for the activity to generate systemic risk.

Q 54 (on an HLA uplift)

We fail to see the rationale of the figures proposed. The figures are based on the approach taken for the banking sector and are in no way appropriate for insurance. An insurer's "prescribed capital requirement" (PCR) is not at all comparable to a bank's capital requirements and the role that capital plays in the two sectors is also fundamentally different. Insurers' PCR is determined in advanced regulatory frameworks on the basis of all quantifiable risks on both the asset and liability side of the balance sheet, whereas in banking the minimum capital requirement is calculated based on risk weighted assets only. Insurance Europe would also consider the proposed uplift for insurers, with respect to the banking requirement, as being completely disproportionate to the potential for systemic risk in insurance.

4. Implementation

Q 61 (general comments)

Insurance Europe would like to thank the IAIS for the possibility given to engage in the debate by participating in the consultation and for considering the views of European (re) insurers. In light of the importance of the current debate and the number of details pending in both methodology and measures, Insurance Europe believes that further opportunities for comments should be given to the industry.

- We urge the IAIS to publish the revised methodology and measures before the first G-SIIs are designated.
- We believe that the industry should have another opportunity for comments once the methodology is finalised. In this respect, the proposed implementation timeline should be re-structured accordingly.

- We particularly emphasise the need for further dialogue and consultation on the capital measures which are scheduled for continuing development throughout 2013 and are presented in the current consultation in an unfinished form.

Q 62 (implementation timeframe)

Insurance Europe has significant concerns regarding the implementation timetable of paragraph 53. The proposed policy measures contain some quite far reaching measures which if they are to be applied correctly, will take significant time for insurers to implement.

About Insurance Europe

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