

Key messages on the IAIS Insurance Capital Standard (ICS)



General messages

As the International Association of Insurance Supervisors (IAIS) enters the final stages of its Insurance Capital Standard (ICS) project, Insurance Europe calls on the IAIS to complete the project and to stop any related data requests once the standard is adopted.

Insurance Europe supports the ICS' initial objective namely, to create a high-quality and robust global insurance standard that promotes a sound and global regulatory level playing field. Creating a truly common language for supervisory discussion would enhance global convergence among group capital standards. To be considered a success, the ICS needs to be truly global with all major jurisdictions committed to implementing it consistently.

The European insurance industry has supported the international supervisory community develop the ICS over the past ten years. Many European International Active Insurance Groups (IAIGs) have provided vast amounts of data through extensive field testing and during monitoring periods and offered extensive technical feedback through the public consultations and private discussions. For many European insurance groups this has meant dedicating significant resources and incurring significant cost.

In finalising the project, the IAIS has made several important refinements to the latest ICS which it refers to as the "Candidate ICS". Insurance Europe particularly appreciates the inclusion, as an alternative to the standard method, of internal and partial internal models, which are a necessary, important and already recognised by the ICPs as part of the ICS framework. Internal models are a key risk management and capital measurement tool and are necessary for an appropriate and accurate calculation of capital requirements. They are based on the same economic and risk-based principles and the same confidence level as the standard method.

As part of the process to finalise the ICS project, the IAIS is also due to complete the comparability assessment of the alternative Aggregation Method (AM). The AM is fundamentally different from the Candidate ICS. Accepting it as equivalent without a robust quantitative evidence would undermine both the objectives on which the ICS project was based, and the agreed High-Level Principles on which a comparability assessment is made. For the ICS to be "fit for implementation as a Prescribed Capital Requirement" it is vital that the comparability assessment exercise is sufficiently robust, quantitatively substantiated and transparent to ensure the same level of policyholder protection under all market conditions.

Implementation of the ICS

Insurance Europe supports Solvency II, Solvency UK and the Swiss Solvency Test (SST) as the implementations of the ICS in the EU, the UK and Switzerland respectively.

However, the industry is concerned that the IAIS' proposals to develop a new implementation assessment approach will prolong the uncertainty around the long-term implications of the ICS. Implementing the ICS is a jurisdictional issue, however the

IAIS has recently proposed a multi-year project to develop an implementation assessment approach and has proposed the possibility of future ICS data requests from IAIGs.

The European solvency regimes are similar to the ICS in terms of their risk-based nature and target calibration. As such, they should be considered as an implementation of the ICS, without any further changes and with no double reporting requirements.

Ending of the ICS project

The conclusion of the forthcoming negotiations to finalise the ICS and the AM comparability, and the subsequent publication of the ICS standards, should be recognised as the end point of the project. It has been almost ten years since the IAIS launched its initiative to develop an internationally consistent prudential standard for IAIGs. As it was recognised at the time, this project is very ambitious and Insurance Europe expected it would likely take many years of discussion, negotiation and significant resources from the insurance industry and supervisory community to get close to a final text.

Insurance Europe supports the cessation of ICS data requests, both direct and indirect (e.g. via the Global Monitoring Exercise), after this year's monitoring period. The IAIS has already collected extensive data from European insurers which should be more than sufficient for the IAIS to make its assessments.

Prolongation of reporting burdens after 2024 is neither needed nor justified.

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