



International Association of Insurance Supervisors

Press release

Friday, 21 October 2005

IAIS developing international approach to insurer solvency assessment

The International Association of Insurance Supervisors (IAIS) adopted today at its General Meeting a paper outlining key elements or “cornerstones” for the formulation of regulatory financial requirements for the assessment of insurers’ solvency worldwide.

Entitled *Towards a common structure and common standards for the assessment of insurer solvency: cornerstones for the formulation of regulatory financial requirements*, or the “Cornerstones paper” for short, it builds upon the paper *A new framework for insurance supervision (Framework paper)*. The latter paper underpins the IAIS’s standard setting activities and was also adopted today.

Tom Karp, Chairman of the IAIS Technical Committee, said, “The Cornerstones paper lays the foundation for the development of a common structure for the assessment of insurer solvency.” He continued, “This common structure will serve to enhance transparency and comparability of insurers’ solvency situations and of solvency regimes worldwide, to the benefit of consumers, the industry, investors and other interested parties. Such comparability is expected to engender convergence of regulatory regimes and solvency assessment.”

Its main role is to act as conceptual guide rails for the further work to be undertaken by the IAIS on the regulatory financial requirements of insurers, including the valuation of technical provisions and assets, and the regulatory requirements for dealing with the risks of insurers.

The Cornerstones paper also sketches the wider contours of a solvency regime based upon a coherent view of the total balance sheet of insurers and flags a number of items that will need to be addressed in the further work including governance, market conduct issues and the role of disclosure.

The IAIS plans to circulate before year end, a “roadmap paper” containing a reasonably detailed work plan and time path for the completion of the common structure and common standards for solvency assessment, together with an outline of a “structure paper” to be developed in 2006.

The Cornerstones and Framework papers are available on the IAIS website at www.iaisweb.org.

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