



*January 15, 2019*  
*Miami*

***IAIS Stakeholder Meeting on the Holistic  
Framework for Systemic Risk in the  
Insurance Sector***

***Initial Inputs***

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*Institute of International Finance*

# Background

Since the start of the debate on systemic risk in the insurance sector, the IIF and its members have been actively engaged in dialogue with the IAIS and its members with the goal of achieving a proportionate, globally consistent, activities-based approach to insurance systemic risk.

We acknowledge the important role of the IAIS in the development of a comprehensive approach to systemic risk in the insurance sector that recognizes cross-sectoral aspects of systemic risk assessment. The IAIS brings sector-specific regulatory and supervisory expertise to the Financial Stability Board (FSB) and we encourage the IAIS to continue this important dialogue with FSB members.

The IIF will submit an official response to the IAIS public consultation on the Holistic Framework later this month, which will elaborate upon and add to the points raised in this brief presentation.

We appreciate the various channels provided by the IAIS to contribute to the discussion of these important topics, including through the Stakeholder Meetings. We are pleased to present some high-level observations on the draft Holistic Framework.

## ***We support the current direction of the Holistic Framework and have some initial suggestions for further refinements***

- We believe that the transition towards greater reliance on an activities-based approach represents a move towards a more effective method of preventing insurance sector risk exposures and vulnerabilities from propagating systemic risk to the global financial system.
- We support the suspension of G-SII designations under the entity-based approach.
- We welcome the recognition of the cross-sectoral aspects of systemic risk assessment.
- We appreciate that the Holistic Framework is in development and we encourage the IAIS to continue its work, building upon the ICPs and ComFrame, engaging in dialogue with stakeholders, and benefitting from lessons learned from member jurisdictions and supervisory colleges.

# *Initial suggestions for further refinements to the Holistic Framework*

- We encourage a closer alignment of the supervisory policy measures under the Holistic Framework to the sources of insurance systemic risk and to the transmission channels of systemic risk.
- In designing and implementing policy measures, the IAIS should be mindful of the risk that certain microprudential tools, while beneficial at the individual company or group level, could have negative impacts on macroprudential risk and financial stability.
- The supervisory powers of intervention should be viewed as extraordinary measures and applied only at the individual insurer or insurance group level to avoid potential unintended consequences.
- The supervisory policy measures should leverage jurisdictional requirements for an ORSA and comprehensive enterprise-wide risk management. Supervisors should have the flexibility to adopt those measures that are best suited to address the nature, scale and complexity of insurers in their local markets or insurance groups for which they act as the group-wide supervisor.



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