IAIS completes key milestone in Aggregation Method (AM) comparability assessment project

- The IAIS is developing the Insurance Capital Standard (ICS) to create a common language for supervisory discussions of group solvency of Internationally Active Insurance Groups (IAIGs) and to enhance global convergence among group capital standards.

- Although not part of ICS Version 2.0, the United States and other interested jurisdictions are developing an Aggregation Method (AM) to a group capital calculation, which, if deemed comparable, will be considered an outcome-equivalent approach for implementation of the ICS as a prescribed capital requirement.

- The IAIS has progressed its work on the comparability assessment that will determine if the AM provides comparable outcomes to the ICS with the finalisation of the definition of comparable outcomes and the high-level principles to inform the development of comparability criteria, following public consultation.

Basel, Switzerland - The International Association of Insurance Supervisors (IAIS) has progressed its work on the comparability assessment project – an initiative that will ascertain whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). The definition of comparable outcomes and the high-level principles to inform the development of the comparability criteria have been finalised, following public consultation. The resolution of comments, published today, marks an important step in the comparability assessment project.

The AM to a group capital calculation is being developed by the United States and other interested jurisdictions. If deemed comparable, the AM will be considered an outcome-equivalent approach for implementation of the ICS as a prescribed capital requirement (PCR\(^1\)). The IAIS aims to be in a position by the end of the monitoring period to assess whether the AM provides comparable (ie substantially the same) outcomes to the ICS.

\(^1\) Insurance Core Principle (ICP) 17.4 defines a PCR as a solvency control level above which the supervisor does not intervene on capital adequacy grounds.
“The finalisation of the definition of comparable outcomes and the high-level principles are a strong foundation upon which to continue work on the comparability assessment, which will now focus on developing the criteria,” said Vicky Saporta, IAIS Executive Committee Chair. “I am pleased that the public consultation was completed with minimal delay despite the challenges of the pandemic and that numerous stakeholders provided valuable input to help advance this work.”

The IAIS public consultation on the draft definition of comparable outcomes and high-level principles concluded in January 2021. Based on review of the consultation feedback, there was strong agreement among IAIS members to retain, without changes, the draft definition of comparable outcomes and high-level principles to inform the development of the criteria. At the same time, the IAIS recognises that there were many comments and questions in the feedback that were helpful in identifying areas to provide greater clarity of terminology and interpretation within the criteria.

Work on the draft assessment criteria is now underway, informed by the high-level principles and the consultation feedback. Consistent with the agreement in Abu Dhabi in November 2019, development of the criteria will be done “…in such a manner that the AM is neither precluded at the outset as an outcome equivalent approach to the ICS for measuring group capital nor given a free pass.” The consultation on the draft criteria is scheduled to take place in the fourth quarter of 2021.

“The ICS will create a globally comparable risk-based measure of capital adequacy of IAIGs,” said Jonathan Dixon, IAIS Secretary General. “The progress on the AM comparability project is an important step towards global convergence among group capital standards.”

For more information on the ICS visit:

IAIS ICS Supervisory Material: https://www.iaisweb.org/page/supervisory-material/insurance-capital-standard


About the IAIS

The IAIS is a global standard-setting body whose objectives are to promote effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to the maintenance of global financial stability. Its membership includes insurance supervisors from more than 200 jurisdictions. For more information, please visit www.iaisweb.org and follow us on LinkedIn: IAIS – International Association of Insurance Supervisors.