Press statement

19 July 2016

Comment on publication of ICS consultation

Commenting on the publication of the International Association of Insurance Supervisors' (IAIS) consultation on the Insurance Capital Standard (ICS), Olav Jones, deputy director general of Insurance Europe, said:

"Insurance Europe welcomes the opportunity to provide technical input to the IAIS's work on the ICS, and supports its aim of ensuring comparable and high levels of policyholder protection across international jurisdictions. However, Insurance Europe believes that several issues must be addressed for the ICS to deliver these aims.

"For example, Insurance Europe questions whether the proposed timeline for having a useable and agreed framework ready for adoption in 2019, and fit for implementation from 2020, is realistic. Instead of rushing the design of the ICS, the IAIS should take the necessary time to consider how examples of modern, risk-based systems — such as Solvency II and other risk-based systems — are working.

"Insurance Europe is also concerned about the lack of strong political support for the ICS, in particular regarding implementation. In fact, a fundamental aspect of a global capital standard, aimed at achieving comparable outcomes, is the concrete translation of the standard in all jurisdictions. As of now, Insurance Europe feels that such political support is missing, and is therefore concerned about so much effort being put into a project that does not have strong buy-in from parties that will be responsible for its implementation.

"The IAIS should also clarify early in the process that local regimes which are consistent with the ICS framework can be recognised as a suitable implementation of it. For example, Solvency II has taken many years and significant cost to develop and implement, and is a clear example of a very strong risk-based regime, which provides very high levels of policyholder protection. Insurance Europe cannot envisage any global standard requiring higher levels. Requiring companies to comply with both Solvency II and an ICS would not be acceptable, and neither would burdening them with further costs to move to a similar, but different framework.

"Any solution agreed regarding the valuation basis must avoid exaggerating the volatility and risks relating to long-term investment, by appropriately reflecting the fundamental link between assets and liabilities. This is very important to avoid undermining a core feature of insurers' business model which allows them to offer long-term products, and support growth and stability in the economy. In relation to this, Insurance Europe believes that greater importance should be given to testing/assessing whether particular approaches will work during periods of market turbulence and avoid creating pro-cyclicality."

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Notes for editors

1. For further information, to request an media interview or to be added to our mailing list, please contact Richard Mackillican, policy advisor communications & PR (tel: +32 2 894 30 69, mackillican@insuranceeurope.eu).
2. You can also receive updates from Insurance Europe, sign-up here or by following us on Twitter @InsuranceEurope.
3. Insurance Europe is the European insurance and reinsurance federation. Through its 34 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Insurance Europe, which is based

in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe’s economic growth and development. European insurers generate premium income of almost €1 170bn, employ over one million people and invest nearly €9 900bn in the economy.