



**Agenda Item 7 (a)**

**March 26, 2013 EOC Meeting**

**Global Federation Of Insurance Associations**

**Under the membership provisions of the recently established Global Federation Of Insurance Associations (GFIA), CAFII – as a national Association in the insurance sector – is eligible to apply for membership in the GFIA.**

The GFIA's Mission Statement is as follows:

The Global Federation of Insurance Associations (GFIA) is a non-profit association established to represent national and regional insurance associations that serve the general interests of life, health, general insurance and reinsurance companies and to make representations to national governments, international regulators and others on their behalf. The federation was established at a meeting of insurance associations in Washington on 9 October 2012, to increase industry effectiveness in providing input to international regulatory bodies and to contribute more effectively to the international dialogue on issues of common interest.

The federation:

- represents member association's interests to, among others, international regulatory groups, standard-setters and governments to increase the industry's effectiveness;
- contributes to an international dialogue on issues of common interest by formalising contact, cooperation and dialogue among national and regional insurance associations;
- co-operates with other international organisations, particularly those representing the insurance industry;
- shares non-commercially sensitive information and research; and
- provides information on positions taken by the federation.

The GFIA web site stipulates the following under "How To Join":

Formal national and regional insurance associations are eligible to become a member of the GFIA if they:

- represent life, health or general insurance companies or reinsurance companies;
- serve their members' general interest, and advocate on their behalf to national and international regulators; and,
- have no conflict of interest with the GFIA.

In order to join, please submit your written application to the Membership Executive:

255-55 St. Clair Ave West, Toronto, Ontario M4V 2Y7

Tel: (416) 494-9224 Fax: (416) 967-6320

Email: [info@cafii.com](mailto:info@cafii.com) Web: [www.cafii.com](http://www.cafii.com)

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American Insurance Association  
Washington, D.C. Headquarters  
2101 L Street, NW, Suite 400  
Washington, DC 20037

***The two GFIA articles and one regulatory advocacy letter below provide background on the new global federation and what membership in it would entail for CAFII.***

On October 9, 2012, 32 national insurance industry associations -- representing insurers and re-insurers in 56 countries, and collectively 87 per cent of the world-wide insurance business -- formally established the Global Federation of Insurance Associations (GFIA). The GFIA is incorporated in Switzerland and its secretariat is based in Brussels.

GFIA's founding Canadian members are the Canadian Life and Health Insurance Association (CLHIA) and the Insurance Bureau of Canada (IBC). Frank Swedlove, President of CLHIA, was elected GFIA's inaugural Chair.

"This is a great day for the insurance industry around the world. The Federation will give our associations the ability to respond on a timely basis to international issues affecting our industry and to speak with one voice," said Swedlove. "I am honoured to have the opportunity to be the inaugural chair of the Federation and will strive to ensure that our industry's views are heard."

Welcoming the creation of the federation, Peter Braumüller, Chairman of the executive committee of the **International Association of Insurance Supervisors (IAIS)**, said: "As the global insurance standard-setter, the IAIS values greatly the contributions of **IAIS Observers** – who represent international institutions, professional associations and insurance and reinsurance companies – to the development and implementation of IAIS supervisory material. We look forward to working with GFIA and its members as we all continue to promote effective and globally-consistent supervision of the insurance industry."

The GFIA will be active in commenting on a broad range of issues affecting the international insurance industry, including developments in the systemic risk debate; the work of the IAIS in developing ComFrame, the common framework for the supervision of international groups; market conduct and trade issues; and initiatives in relation to financial inclusion and anti-money laundering.

Chairing the inaugural meeting of the GFIA on October 9 in Washington, DC, Governor Dirk Kempthorne, President and CEO of the American Council of Life Insurers, stated: "This is indeed a historic day. Regulation of the insurance industry is increasingly being set internationally. The establishment of the Global Federation of Insurance Associations will allow the industry to work more closely with international regulators in the development of sound and balanced regulation."

**Further information about GFIA can be found on its web site at [www.GFIAinsurance.org](http://www.GFIAinsurance.org).**

## **Global Federation Of Insurance Associations Worried About Regulatory Constraints**

On February 27, 2013, Investment Executive reported the following:

*The insurance industry remains concerned about efforts to designate certain firms as systemically important, which would likely bring additional regulatory constraints.*

*In a letter to the International Association of Insurance Supervisors (IAIS), the Global Federation of Insurance Associations (GFIA) urges the IAIS to consider the questions raised by the industry as it finalizes the process for identifying global systemically important insurers (G-SIIs).*

*"Some of the open questions are complex, and need careful consideration as the outcomes are likely to have a significant impact on the targeted entities and thus, we believe, further analysis and exchange with the industry should be allowed for," it says.*

*In particular, the industry lobby says that it remains concerned about the proposed methodology for identifying G-SIIs, which, it says, will result in insurers being designated "not for the risk they pose to the financial system but because of their size."*

*It also says it believes that "the potential systemic risk posed by certain insurers as a result of activities they engage in should be assessed versus the global financial system as a whole, and not versus other insurance companies, as currently suggested."*

*And, it maintains that it's not correct to think that insurers could benefit from being on a list of G-SIIs, as this status would give them access to more favourable funding conditions. "GFIA wishes to reiterate its strong opinion that such reasoning is excessively bank-centric and has no rationale in insurance," it says.*

*Additionally, the letter stresses that the GFIA is worried about the sorts of added regulatory constraints such firms could face.*

*For example, the group says that it "remains fundamentally concerned" about the possibility of firms facing higher capital requirements to address systemic risk concerns in insurance. It says that tougher capital rules should only be considered as a "last resort for specific activities which are a source of systemic risk."*

March 6, 2013

Hon. Michael McRaith  
Chair  
Technical Committee  
International Association of Insurance Supervisors

**Re: Volunteer Industry Participation in ComFrame Field Testing Task Force**

Dear Director McRaith:

The Global Federation of Insurance Associations (GFIA) through its 32 member associations represents insurers that account for around 88% of total insurance premiums worldwide. The GFIA appreciates the constructive efforts by the International Association of Insurance Supervisors (IAIS) and national supervisors to foster a gap-free supervisory system through initiatives such as the development of new Insurance Core Principles (ICPs), the establishment of supervisory colleges, the Multilateral Memorandum of Understanding on Cooperation and Information Exchange (MMOU), and the ComFrame workstream. We also appreciate the opportunity to offer our comments on the two-phase approach to be carried out by the Field Testing Task Force (FTTF or Task Force) designed to test the ComFrame draft by applying its parameters and elements to appropriate internationally active insurance groups (IAIGs) over a multi-year period.

For the reasons set forth below, GFIA respectfully requests that the FTTF discussions include industry representatives in Phase 1 of the exercise and also in Phase 2 where discussions do not involve confidential company information.

**A.THE FTTF WILL BE ABLE TO LEVERAGE OFF CONSIDERABLE INDUSTRY EXPERIENCE.**

Observers have been and are participating in surveys and field work testing exercises around the world (e.g., the Solvency II quantitative impact studies, assessment of proposed IASB accounting standards, the NAIC's ORSA pilot projects). We believe that their experience as to what works and doesn't work would be very beneficial to the Task Force.

**B.INDUSTRY INVOLVEMENT FROM THE BEGINNING SHOULD INCREASE EFFICIENCY OF THE PROCESS.**

Rather than developing the field test independently, and then consulting the industry at a later stage, a significant amount of time and resources could be saved by removing this iteration and taking industry input on-board at the outset. The FTTF is working to an ambitious deadline, and this kind of involvement should help identify issues early, sparing the FTTF valuable time and resources exploring avenues that the collective experience of observers have already identified as problematic or unworkable.

### **C. CONFIDENTIALITY CONSIDERATIONS NECESSARILY REQUIRE INDUSTRY INPUT.**

Observers' input to the development of confidentiality parameters for the field testing of ComFrame could help to allay concerns that some IAIGs have regarding participation in the field tests. As the GFIA has noted in prior submissions, strong confidentiality protections are an essential precondition to information exchange at every stage of the process contemplated by ComFrame, from the identification of IAIGs to the assessment of sensitive and proprietary areas such as group structure, strategy, governance, enterprise risk management, and financial condition.

Observers – particularly those that are IAIGs and anticipate being part of the field test - have an obvious interest in protecting any confidential or business sensitive information from the economic and reputational harm that can result from public exposure of such data. Indeed, IAIGs will not volunteer to participate in the process if they do not trust that their business sensitive information will be protected. Worse still, if confidentiality provisions are not appropriately resolved prior to the field test, IAIGs may find themselves running the risk of significant adverse consequences (harm caused by release of competitively sensitive information, civil/criminal penalties, financial losses, reputational impairment, or other adverse impact on the marketplace) if data disclosed through their participation ends up in the wrong hands in violation of – for example – applicable open records or securities laws. Please see below a couple of examples of where confidentiality considerations will need to be considered by the FTTF for the field testing exercise:

- The ComFrame draft does not currently contemplate how data confidentiality can be assured where it is shared with a supervisor (or a contracting third party) in a jurisdiction that affords less protection than the jurisdiction where the data originated. The field testing of ComFrame will necessarily involve the sharing of information among supervisors operating under different confidentiality and data security standards.

- ComFrame's data confidentiality standards and all supervisory college confidentiality agreements do not explicitly recognize, respect and protect the rights of IAIGs as the owners of the information. Recognition of the data ownership rights of IAIGs should lead the Task Force to adopt notice and other due process rights that ensure that the IAIG will be able to intercede before any harm can occur in the event confidential data is compromised during the field testing phase.

At the ComFrame Dialogue on January 15 in New Orleans, a suggestion was made to the IAIS that it form a small working group to focus on the potential confidentiality conflicts of law issues that need to be resolved. The Technical Committee appeared to be receptive to that suggestion. GFIA respectfully requests that observers be invited to participate, as appropriate, in the Task Force discussions to ensure that data security and confidentiality issues are resolved in a manner that will give all IAIGs the confidence to volunteer for the field testing process. Those issues include resolution of legally binding ways to: (a) protect confidential information against compulsory disclosure under open records laws; (b) prevent improper dissemination of material nonpublic inside information of or relating to an insurer; (c) preserve the higher confidentiality standard of either the jurisdiction in which the information is received or from which it was disclosed as data "travels" from jurisdiction-to-jurisdiction in the context of the field test; and (d) provide the IAIG with appropriate notice and other due process prior to the disclosure of information.

## **CONCLUSION**

Observer involvement in the Task Force's work will allow them to offer suggestions that could enhance the confidence of prospective IAIGs to volunteer for field testing. The success of the field testing project will be critical to the success of ComFrame as a whole. Therefore, maximizing observer input in the Task Force's work (again, without jeopardizing the safety of confidential information) will help to ensure that ultimately ComFrame is designed in such a way that has the potential to bring benefits to the wide range of different IAIGs likely to fall within its scope, and will enable a smoother transition from finalisation of the draft framework, through field testing to implementation.

Indeed, industry representation on the FTTF is consistent with the IAIS mandate for this Task Force, which states that "[a]ll of these steps are to be taken in a transparent public manner involving consultation with IAIGs involved in field testing as well as the observers and the public more generally." In line with this, we urge that the Task Force's meetings be open to observers to the maximum extent possible.

With respect to Phase 2 of the FTTF, it is important that IAIGs selected for the field test are volunteers. It appears likely that the project will involve a substantial amount of company time, money and other resources, and those costs should not be imposed on companies that do not wish to volunteer. In addition, it is important that the IAIS seek to ensure that industry participation in the FTTF is representative of the broad range of potential IAIGs; including companies with different governance structures, from different geographical locations, and with different business portfolios (life, non-life, reinsurance).

Thank you for your consideration of these issues. The GFIA looks forward to working with the IAIS to ensure the successful testing of the ComFrame draft.

Thank you for your consideration,

Frank Swedlove  
Chair, Global Federation of Insurance Associations