Setting the Record Straight on the IAIS, Global Capital Standards and ComFrame

Embracing and engaging globalization trends is vital for sustained growth -- for the economy and the insurance industry. To better serve clients, globally active insurance groups need globally consistent regulation. The ever-increasing global client base underscores the need for a more harmonized insurance regulatory system.

Supervision and global capital standards assessed at the group level for globally active insurance groups seek to harmonize insurance regulation. Current regulatory fragmentation contributes to unnecessary costs and complexity for insurance groups attempting to meet policyholders' cross border needs, while limiting opportunities for market expansion; this is true for both U.S. and non-U.S based groups. Unfortunately, myths surrounding the International Association of Insurance Supervisors process, outcomes, and impact continue to persist. This document seeks to outline the facts surrounding these myths.

MYTH: The IAIS is a solution in search of a problem.	**FACT: This process solves two problems. First, the fragmentation and redundancies in the current global regulatory framework traps capital, inhibiting groups' ability to fully diversify risks and effectively allocate capital.**

Description: Global capital rules assessed at the group level will directly address this problem and enable global insurers to provide customers with lower cost services. Second, the financial crisis revealed gaps in oversight and regulation, which were partly responsible for the impact of AIG's collapse on the real economy. Supervision and risk-based capital requirements assessed at the group level bridge these regulatory gaps, improving financial stability.

MYTH: The IAIS process is being driven by European insurers.	**FACT: The United States is driving the process at the IAIS. The IAIS' project was initiated by the Financial Stability Board, where the U.S. Federal Reserve Board Governor Daniel Tarullo is Chairman of the Standing Committee of Supervisory and Regulatory Cooperation.**

Description: At the IAIS, U.S. federal and state regulators are not only at the table, but hold prominent positions on key committees. For example, the IAIS Financial Stability Committee's vice chair is held by an NAIC representative and is further represented by the New Jersey Insurance Commissioner and the Federal Reserve.

MYTH: The IAIS process will lead to a "one-size-fits-all" bank-centric capital standard.	**FACT: IAIS members – including the NAIC and Federal regulators – recognize the difference between insurance companies and banks.**

Description: In the United States, regulators are looking to tailor capital rules. Meanwhile, all global, European, or American insurance groups are advocating against any bank-centric capital standard

Setting the Record Straight on the IAIS, Global Capital Standards and ComFrame

MYTH: The IAIS process will supplant state-based regulation.	**FACT: Without an act of Congress, states will be able to determine whether to adopt IAIS standards.**

Description: Therefore, states not only have a strong voice to shape the details of IAIS standards, but also have final say of adoption in their own state

MYTH: IAIS process will result in an uneven playing field with two-tiers of regulation.	**FACT: The current regulatory environment for IAIGs is simply not appropriate or optimal for today's global economy. It's not about creating tiers, but devising a regulatory system that is capable of supporting sustainable economic growth and financial stability.**

Description: The adoption of global capital standards will create a more unified, streamlined regulatory system for those groups who compete on a cross border basis.

MYTH: Global capital standards will result in costly regulations that will hurt consumers.	**FACT: By constraining the ability of IAIGs to effectively diversify their client's risks and allocate capital, customers in global markets face higher costs.**

Description: In the alternative, a well-designed and meaningful global capital standard [that contributes to greater regulatory harmonization and cooperation among global regulators] will likely lower costs for globally active customers by giving global insurance groups reduced frictional costs and the ability to best deploy capital across the globe.

MYTH: The IAIS process threatens insurance companies throughout the U.S. whose customers are well-served by the current state-based approach.	**FACT: The IAIS capital standard as contemplated would be applicable to 50 to 60 internationally active insurance groups – of which only a subset are based in the U.S.**

Description: For those US groups the applicability of the standard would be contingent upon enactment of state law to do so. The remaining U.S. companies, over 6,000 —are not within the standard's scope.

Contact

North America:	U.S. Federal Affairs:	U.S. State Affairs:
Sean Kevelighan	Tom McCrocklin	Laura Favinger
SeanA.kevelighan@zurichna.com	Tom.mccrocklin@zurichna.com	Laura.favinger@zurichna.com