



Capital work

From a solid foundation, work on a global capital standard continues

By Charlotte Clark, chair of the GFIA Capital Working Group

It has been a great pleasure chairing the GFIA Capital Working Group in this pivotal moment as we continue to work towards establishing a robust and efficient international capital standard.

All insurers, whether individual entities or groups, aim to maintain highly effective risk-management to ensure their safety and soundness and to protect their customers. The important role insurers have for individuals and businesses dictates that — both nationally and globally through the work of GFIA — we must all take due care to attain and maintain these standards.

As we reflect on all the work done this year, we must not forget the efforts in prior years that have set a solid foundation for the development by the International Association of Insurance Supervisors (IAIS) of the Insurance Capital Standard (ICS) (see also the IAIS opinion article [here](#)). It is this work that can allow, in due course, the Common Framework for the Supervision of Internationally Active Insurance Groups (IAIGs) to include a quantitative element in the form of the ICS.

Business as usual

The further development of capital standards internationally has been a prominent feature of our work throughout the year. Therefore, the June 2023 consultation on the ICS as a Prescribed Capital Requirement (PCR) — whilst an important milestone and involving a lot of work — was “business as usual” for myself and the Working Group. The Group has supported and acknowledged the IAIS’s work as the ICS has evolved. It has continued to act as a forum for sharing views and gaining understanding of the issues and concerns of GFIA members and for developing harmonised positions to support the further evolution of the standard.

In the GFIA response to the ICS consultation, the Working Group developed and shared general comments to be considered before the adoption and implementation of the ICS. Notably, the Group supports the main principle established by the IAIS when the project began, namely creating a globally accepted capital standard. Furthermore, the Group considers that the draft revisions to Insurance Core Principles 14 (Valuation) and 17 (Capital Adequacy) provide a sound basis for supervision of IAIGs globally — although the references to internal models were concerning. Significantly, the efforts of the Working Group have been recognised by the IAIS, and this is evident in the Candidate ICS, which clearly incorporated our feedback, for example by including internal models.

It is positive to see a high level of engagement from many jurisdictions that have actively come together to participate in the fourth consultation on the ICS.

The prominence of the ICS was again evident at the IAIS Global Seminar 2023 in Seattle. In the panel discussion, main agenda and networking events, the ICS was the buzzword of the conference and generated significant dialogue. The same held true at the IAIS Annual Conference and, as always, it was a pleasure to meet GFIA colleagues in-person to exchange thoughts.

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Global alignment — stronger together

While solvency regimes and frameworks in certain jurisdictions, most notably in the EU and the UK, are under review, the Working Group has diligently stayed abreast of developments.

We acknowledge the challenges with aligning and harmonising standards globally, particular when certain regimes are already well established. However, the importance of robust and efficient capital standards and the establishment of a common language for supervisors to discuss the solvency of IAIGs is a worthwhile undertaking that requires our attention and resources. This is a challenging but important task. We have come a very long way since the IAIS announced in 2013 its intention to develop the ICS and we must keep the momentum and effort going, as the goal is very much in sight.

The assessment continues

Following feedback from the GFIA Capital Working Group and other stakeholders, the IAIS published in March 2023 its finalised criteria that will be used to assess whether the Aggregation Method developed by the US provides comparable outcomes to the ICS. This is another important milestone, and we look forward to further information on how the assessment will be carried out by the IAIS.

A lot of work has been done so far but there remains significantly more to do as we look towards the planned adoption and implementation of the ICS as a PCR in 2024. We also look to the IAIS to communicate precise timelines for the implementation of the ICS and any transitional periods that may apply.



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To reflect its commitment to advancing DEI in the global (re)insurance industry, the GFIA Financial Inclusion Working Group expanded its work and advocacy on DEI and was renamed the DEI Working Group in November 2022.

Its first action was to develop a set of principles on DEI together with the GFIA Market Conduct and Governance Working Groups, which were published in March 2023.

The [GFIA principles](#) acknowledge the importance of diverse and inclusive workplaces as key elements for the sector's growth, innovativeness and sustainability. They show insurers' commitment to supporting and promoting DEI policies that are based on the key principle of valuing each individual and respecting

differences and cultural diversity in the workplace. These policies must ensure that there are structures and mechanisms in place that foster equality, diversity, inclusion and non-discrimination.

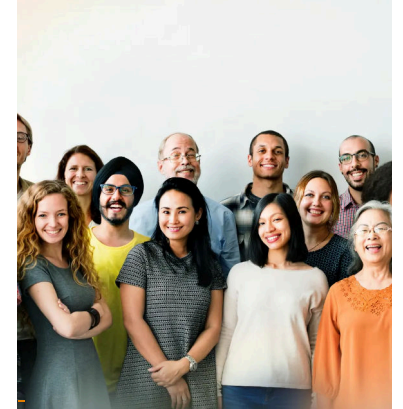
Education plays a vital role in advancing DEI within insurance. GFIA has members that are undertaking efforts to support financial education, advance DEI and raise insurance penetration to help build developing economies. The GFIA DEI Working Group is currently also looking at broadening the scope of its Inclusive Insurance Survey, with the aim of collecting new actions and good practices by its members in relation to diversity, equity and the inclusion of vulnerable groups that markets or players could take inspiration from.

Industry-wide collaborations and partnerships also play an important role in advancing DEI in the sector. We have had several meetings with Katharine Pulvermacher, executive director of the Microinsurance Network (MIN), to explore possibilities for cooperation. The MIN is an international, multi-stakeholder platform for experts to work together on key areas of development in inclusive insurance and several GFIA members are already part of the network.

More work to be done

GFIA recognises that more still needs to be done to advance DEI in the sector. I personally believe that advancing DEI is essential to the success of the global (re)insurance industry.

Everyone should play their part in promoting inclusion. However, when it comes to complex societal changes, binding targets are not the solution. (Re)insurers, together with social parties, are best placed to design their own DEI initiatives that work in the real world and respond to the needs of different groups of workers and consumers across the world.



GFIA DEI principles

