



Back to basics in a new world order

GFIA continues to promote trade liberalisation in the face of geopolitical tensions

By Brad Smith, chair of the GFIA Trade Working Group

The GFIA [“Global protection gaps”](#) study showed that to understand the new environment in which the global insurance industry operates we need to recognise that the world order is changing due to geopolitical tensions and their implications for food supply, fertilizer and — increasingly — energy production, strategic minerals and supply chains. Yet, despite the implications for insurance and the very high standard set by the Indonesian G20 presidency in 2022, the Indian presidency in 2023 largely excluded insurance from its policy recommendations. Nevertheless, we look forward to a strong G20 presidency in 2024 under Brazil, which will also lead the COP 30 climate summit in 2025.

Despite world leaders’ global lack of ability to reach a consensus on many topics, including extending further negotiations of multilateral trade rules and continuing progressive market liberalisation under the World Trade Organization, GFIA has continued to engage at global, regional and national level to remove barriers to free trade in insurance, reinsurance and pensions.

India and China encourage foreign insurers

Positively, the world’s largest markets by population — India and China — continue to welcome foreign insurers and have increased the ownership levels for companies positioned to go to the increased limits (74% in India and 100% in China).

The efforts by the Insurance Regulatory and Development Authority of India (IRDAI) to undertake reforms to increase access to insurance and insurance penetration by inviting new and increased foreign direct investment is an especially positive development. GFIA’s Trade Working Group hopes the IRDAI will accept its request for a regular conversation with foreign affiliated companies to discuss the changes and

and that the IRDAI will make the most of its efforts by removing disincentives to global companies to invest above 50% equity.

GFIA's Trade Working Group has kept up-to-date on the reform proposals of the IRDAI, has offered to hold a virtual meeting with both the IRDAI and the International Financial Services Centre at Gift City, the Gujarat International Finance Tec-City, and has provided the IRDAI with a copy of the "Global protection gaps" study.

2023 has also seen notable agreements with numerous GFIA member markets by Indonesia on reinsurance, freedom from a domestic offer of first preference and recognition of global affiliates.



“GFIA’s trade policy is based on a global rules-based system of binding progressive trade liberalisation to support economic stability and growth and to avoid fragmentation risk.”

Localisation increases losses

GFIA also continues to engage with the OECD and the global development finance community to highlight the hard lessons that have already been learned that localisation of reinsurance creates an unacceptable potential for loss in an increasingly catastrophic world, which harms consumers and endangers market stability.

One of GFIA's areas of activity in this regard has been to communicate with the government of Argentina in January 2023, seeking a return to regular authorisation of reinsurance premiums in hard currencies as written in contracts following a "temporary" set of restrictions. GFIA continues to engage on this in coordination with its regional colleagues at FIDES, the Interamerican Association of Insurance Companies, and with its counterparts at the AACS, the Argentinian insurance association. GFIA representatives from the American Property Casualty Insurance Association have repeatedly raised the issue with the International Monetary Fund and the OECD and recently advised on the new 25% tax on all cross-border reinsurance other than to a government-affiliated domestic company.

GFIA's other main engagement on the localisation of reinsurance has been in Nepal in response to a request from the local industry association for global policy assistance, given its concern over full domestic retention by two local reinsurers. While Nepal is not a GFIA member, global insurers do have operations there, which this requirement puts at risk, along with denying business to global reinsurers. GFIA had previously engaged on this proposal when it was first made in 2020 and subsequently withdrawn.

“Localisation of reinsurance creates an unacceptable potential for loss in an increasingly catastrophic world.”

To be in a solid position to undertake advocacy on members' global priorities, GFIA continues to maintain strategic partnerships with global counterparts and broad industry organisations at the regional level through the sharing of information among GFIA members and our respective trade networks. The Trade Working Group represents a valuable forum for GFIA members to mobilise broader industry support when needed, especially on common risks that we face, such as in relation to data localisation and countries' lack of compliance with international commitments.

Promoting strong international regulatory standards

Looking ahead, geopolitical tensions are likely to continue to limit the ambition of many of our

governments on trade policy because of national security and diplomatic priorities. As GFIA represents private risk-protection providers regulated by national independent prudential supervisors, much of our current lobbying against reinsurance and data localisation focuses on highlighting actions that are contrary to IAIS standards and drawing to the attention of local, regional and global policymakers the importance of strong international regulatory standards to protect all insurance consumers.

Both trade agreements and regulatory standards are fundamentally intended to prevent or discourage nations from making rash, unsound economic or policy changes that impact their commitments to neighbours, trade partners and foreign investors. GFIA can use its network of national associations to support regulators in remaining independent of political interference that conflicts with the rule of law, to which, as prudential supervisors, the members of the International Association of Insurance Supervisors are committed.

The working group will continue to actively respond to members' requests for defensive support to prevent or reverse actions that are of concern to them. This will include paying special attention to governments' proposals to violate contract sanctity and rule of law by retroactive implementation or outright conflicts of interest. GFIA's trade policy is based on a global rules-based system of binding progressive trade liberalisation to support economic stability and growth and to avoid fragmentation risk. We look forward to another active year supporting global risk protection by our members.

**“Much of our current lobbying ...
focuses on highlighting actions that are
contrary to IAIS standards.”**



Brad Smith

American Council of Life Insurers

[Print version](#)