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Public Consultation Begins on Higher Loss Absorbency (HLA) Requirement for Global Systemically Important Insurers

IAIS also releases additional information on development of global insurance capital standard (ICS)

Basel – The International Association of Insurance Supervisors (IAIS) has begun a public consultation to help finalise development of the Higher Loss Absorbency (HLA) requirement for global systemically important insurers (G-SIIs). The IAIS is seeking feedback through 21 August on several options to further support and inform the design, development and calibration of the HLA.

In July 2013, the IAIS published its assessment methodology and policy measures for G-SIIs. These policy measures include a HLA requirement, the primary purpose of which is to help reduce the probability and impact on the financial system of the distress or failure of a G-SII. The HLA is to be delivered to the G20 for endorsement in November 2015 and will apply to G-SIIs from 2019.

As a foundation for HLA requirements, the IAIS developed in October 2014 the Basic Capital Requirements (BCR) to apply to all group activities, including non-insurance activities, of G-SIIs. When the HLA is implemented, G-SIIs will be expected to hold qualifying regulatory capital that is not less than the sum of the required capital amounts from the BCR and HLA. The public consultation does not focus on specific formulas but rather seeks feedback on a structure designed to address the key objectives of risk sensitivity, robustness and simplicity.

The IAIS has also released additional information regarding the development of its risk-based, global insurance capital standard (ICS), which will apply to internationally active insurance groups (IAIGs) as part of the IAIS' common framework for the supervision of IAIGs, or ComFrame. Specifically, the IAIS has recently agreed on detailed goals for its previously announced milestones of a Version 1.0 (for confidential reporting) and Version 2.0 (for adoption within ComFrame) of the ICS. Two of the principles for ICS development have also been updated in response to comments received during the recent public consultation. Further, in order to allow field testing volunteers sufficient time to complete the on-going data requests and more time for the subsequent analyses, the IAIS has adjusted the ComFrame and ICS delivery schedule. A document setting forth the ICS' ultimate goal, interim goals, principles for development and delivery process is available on the [Common Framework](#) section of the IAIS website.

For more information on the HLA and details on how to submit comments, please visit www.iaisweb.org or click [here](#).

A public background call on the HLA consultation will also be held on 8 July 2015 in order to describe the consultation and the specific issues for which the IAIS is seeking input. More details will follow soon on the Stakeholder Meeting section of the website.

For more information on ComFrame and the ICS, including some Frequently Asked Questions, please visit www.iaisweb.org or click [here](#).

About the IAIS: The IAIS is a global standard setting body whose objectives are to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders; and to contribute to global financial stability. Its membership includes insurance regulators and supervisors from more than 200 jurisdictions in nearly 140 countries. For more information, please visit www.iaisweb.org.
