



ICMIF feedback on the IAIS strategic plan 2020-2025

ICMIF welcomes the opportunity to comment on the IAIS's strategic plan 2020-2025, and the key issues to be considered during the coming five-year period. We stand at the IAIS's disposal for any further contributions.

Introductory comments:

ICMIF notes with satisfaction that, in contrast to the IAIS's past (and current) strategic plan, the upcoming one will most likely not flag the assessment and response to insurance sector's vulnerabilities as a most significant 'high level goal' as the industry is doing well.

With regards to the mutual and cooperative insurance sector, our statistics¹ show our members have grown at a faster aggregate rate than the global insurance market since 2007. Members' premiums increased by 21.4% between 2007 and 2016, compared to a 13.1% growth in the total insurance market during this period. Members' premium growth exceeded the total market in both life and non-life business since 2007. In the life sector, members recorded a total premium growth of 12.4% over the nine-year period, almost seven percentage points ahead of the total market average (4.7%). Growth of members' non-life premiums was greater, with a total increase of 30.1% between 2007 and 2016. In comparison, the global non-life market grew by just over a quarter during the same period.

ICMIF also welcomes the international realisation that a regulatory pause is needed to evaluate the benefits and unintended consequences of the post-financial crisis measures and possibly generate some appropriate adjustments. In fact, in the banking sector, we have noted that jurisdictions on both sides of the Atlantic are considering applying proportionality and we would like to advocate for the same move so as to relieve small and medium-sized operators of excessive bureaucracy without compromising financial stability.

That being said, we recognise the crucial importance of regulation and supervision but at the same time, firmly believe that they should not cost more than necessary to achieve their main goals, i.e. the protection of policyholders, and the maintenance of a diverse, fair, safe and stable insurance market that ultimately ensures financial stability.

¹ ICMIF members key statistics 2016, ICMIF, October 2016.

Key strategic aspects

Political and regulatory:

ICMIF is of the view the IAIS has the potential for taking a more active part in raising the profile of insurance among regulators and policymakers in its 140 countries and 200 jurisdictions; this profile raising would promote insurance as the best mechanism for protecting individuals and societies from risk, thereby increasing the resilience of lives and livelihoods but also, as a key long-term investor in the economy.

As the IAIS undoubtedly already monitors the global economic conditions, we deem it essential that it also enhances its understanding of the effects of regulatory reforms, by comparing *ex ante* with *ex post* impact assessments of its standards. In other words, we believe a transparent evaluation of their benefits and costs, including the social benefits and costs for insurance undertakings and insureds, would align the IAIS with other international financial policymakers and associations of supervisors or regulators in shaping financial systems globally. It would also have a positive impact on the cooperation with stakeholders.

As alluded to in the introduction, we would like to see proportionality being approached from a different angle, seeking inspiration from what is currently being done in the banking system. We would welcome specific proposals on how to alleviate the burden of regulation on small institutions with simple business models. In our opinion, the first step should be to determine the criteria used to identify the insurers that should be subject to proportional supervision. The criteria for identification and segmentation would most likely consider the size and could vary by jurisdiction. In addition to that, we would imagine that the business model and products of the insurer would also be considered. The outcome would then be to establish quantitative thresholds further supported by qualitative criteria to assist supervisors on a case-by-case basis.

Economic: A well-functioning financial system facilitates productive investment and new business formation, and helps new and existing businesses weather the ups and downs of the business cycle. Within the financial system, insurance is seen as having an increased role in the future. In fact, some analysts say insurance, together with pension funds, can underpin growth more than the banking industry. That being said, the warming of the planet poses serious risks to the global economy and will have an impact across many economic sectors. We would thus like to see a clear link between IAIS' economic and environmental 'macro-trends', given insurance's pivotal role in understanding and mitigating these risks.

We would also appreciate if some consideration was given to connecting economic and social issues more explicitly, i.e. the social benefit of insurance but also the implications of insurance regulation and technological developments for the employees of insurance.

Technological: We call for some flexibility to allow innovation but ask for fairness in the supervision of all insurance producers.

Environmental: we would like to see the IAIS and its members increasing their presence in the ongoing debates at national, regional and international levels, and becoming more proactive by setting up a dedicated working group on insurance and environmental risks. In recognising the urgency of this unique challenge, the IAIS could help its members and stakeholders with their

(sometimes skewed) perception of the implications of climate change and coordinate a potential joint stance from its members.

Similarly we think more focus should be given to the global resilience challenge and to the multi-faceted role that the insurance industry can play in enhancing resilience to natural catastrophes, with a clear mechanism for the transfer of knowledge from advanced to less advanced markets.

Social: we think insurance plays a key role in society so we would advise that the IAIS keep abreast of the challenges faced by politicians worldwide. These include the United Nations' Sustainable Development Goals to end poverty, protect the planet and ensure prosperity for all, to which insurers could play an essential role given the link between financial inclusion and development.

Key strategic objectives

We feel the IAIS is unique in corralling insurance supervisors globally. In our view, the IAIS would be an ideal centre of excellence with updated references of academic work on insurance and financial education, providing support and /or patronage to jurisdictions that need it. It could even run an educational website providing free access to educational material (that would have been provided by its members) which could be used by teachers, non-profit entities, consumer organisations, etc.

Finally, we believe the IAIS has a role to play in ensuring fair competition and levelling the playing field for a diverse global insurance sector. Insurance relies on trust and is firmly rooted in each jurisdiction's culture. These cultural differences must be respected. Supervisors should remain neutral and should not aim to change the structure of the insurance sector in a given market.