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Public Consultation Begins on Proposal for Basic Capital Requirements for Global Systemically Important Insurers

Public consultation to continue through 3 February 2014

Basel – The International Association of Insurance Supervisors (IAIS) today released for public consultation proposed options for the development of basic capital requirements (BCR) for global systemically important insurers (G-SIIs). The IAIS is seeking feedback on these options in order to inform an upcoming field testing phase and to further support the design and development of the BCR. A second public consultation is planned in 2014 after the BCR is further developed and defined.

In July 2013, the IAIS released its assessment methodology and policy measures for G-SIIs. The IAIS' framework of policy measures consists of three main types of measures, including Higher Loss Absorption (HLA) Capacity. As announced in July, as a foundation for HLA requirements, the IAIS will as a first step develop BCR to apply to all group activities, including non-insurance subsidiaries.

The development of the BCR is the first step of a long-term project to develop risk-based, group-wide global capital standards. The second step is the development of HLA requirements to apply to G-SIIs, due to be completed by the end of 2015. The HLA will build on the BCR and address additional capital requirements for G-SIIs reflecting their systemic importance in the international financial system. The final step is the development of a risk-based group-wide global insurance capital standard (ICS), due to be completed by the end of 2016. The BCR will also inform development of the ICS.

The IAIS has endorsed three substantive principles to guide the development of a “factor-based” BCR and to provide a high-level framework against which the final design will be considered. These principles are: (1) that major risk categories should be considered, (2) there is comparability of outcomes across jurisdictions and (3) the BCR has resilience to stress.

The timeline for the development of the BCR is:

Date	Activity
Until 3 Feb. 2014	Current public consultation
Mar. – May 2014	Field testing of the BCR
Apr. – July 2014	Selected expert input sought as and when deemed appropriate
June – Aug. 2014	Analyse results from field testing and reflect this and other feedback in BCR proposal and development of factors
July/Aug. 2014	Second public consultation period (exact dates to be determined)
Sept. 2014	IAIS to approve BCR proposal
Oct. – Nov. 2014	FSB to review BCR proposal
Nov. 2014	G20 to endorse BCR proposal

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

For more information on the ICS, including an ICS Fact Sheet, 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. More than 130 organisations and individuals representing professional associations, insurance and reinsurance companies, international financial institutions, consultants and other professionals are Observers. For more information, please visit www.iaisweb.org.