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IAIS Develops Basic Capital Requirements for Global Systemically Important Insurers

*Completes first step in process to develop group-wide
global insurance capital standards*

Basel – The International Association of Insurance Supervisors (IAIS) today announced that it has concluded development of the first-ever global insurance capital standard – Basic Capital Requirements (BCR) for global systemically important insurers (G-SIIs). The BCR has also been endorsed by the Financial Stability Board (FSB).

In July 2013, the IAIS published its assessment methodology and policy measures for G-SIIs. These policy measures include a requirement for Higher Loss Absorption (HLA) capacity. As a foundation for HLA requirements, the IAIS has developed the BCR to apply to all group activities, including non-insurance activities, of G-SIIs.

“With design of the BCR now complete the IAIS has concluded the first of several steps in its process to develop group-wide global insurance capital standards,” said Peter Braumüller, Chair of the IAIS Executive Committee. “This achievement demonstrates the commitment of our Members to our mission to promote globally consistent supervision of the insurance industry and contribute to global financial stability.”

The BCR Ratio is calculated by dividing Total Qualifying Capital Resources by Required Capital, both of which are initially derived from a comparable market adjusted valuation approach using current estimates of insurance liabilities. BCR Total Qualifying Capital Resources are determined on a consolidated group-wide basis for all financial and material non-financial activities and are classified as either core or additional capital.

Similarly, BCR Required Capital is calculated on a consolidated group-wide basis for all financial and material non-financial activities. It is determined using a “factor-based” approach with 15 factors applying to defined segments and their specified exposure measures within the main categories of a G-SII’s activity - traditional life insurance, traditional non-life insurance, non-traditional insurance, assets and non-insurance. All holding companies, insurance legal entities, banking legal entities and any other companies in the group will be included in the consolidation. Individual non-financial entities within the group may be excluded from the scope of the BCR if the risks of or from those entities are negligible.

Beginning in 2015, the BCR will be reported on a confidential basis to group-wide supervisors and be shared with the IAIS for purposes of refining the BCR as necessary. During this reporting period, the IAIS will review the suitability of the BCR factors to ensure that the BCR remains fit for purpose. From 2019, G-SIIs will be required to hold capital no lower than the BCR plus HLA.

The development of the BCR is the first step of a long-term project to develop risk-based, group-wide global insurance 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 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 and applied to Internationally Active Insurance Groups (IAIGs) from 2019.

For a copy of and more information on the BCR, including a BCR 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. For more information, please visit www.iaisweb.org.
