



Global Perspectives on Financial
Regulatory Modernization:
the need for a *global risk coalition*

International Insurance Foundation
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Starting with some necessary reality checks

- Integrated risk management has become essential to insurance business
 - Single risk vs whole company perspective
 - Focus on liability vs total balance-sheet and risk and capital management
 - Internal risk modelling
- Insurance has gone global
 - Geographical diversification
 - Diversification between products and lines of business
- Risk transfer is becoming increasingly complex
 - New emerging risks
 - Higher volatility, more complex risk assessment
 - Increased demand for capacity calls for new forms of risk transfer
- Global regulatory tendencies converge towards strengthening of supervision
 - Rule-based vs principle-based supervision

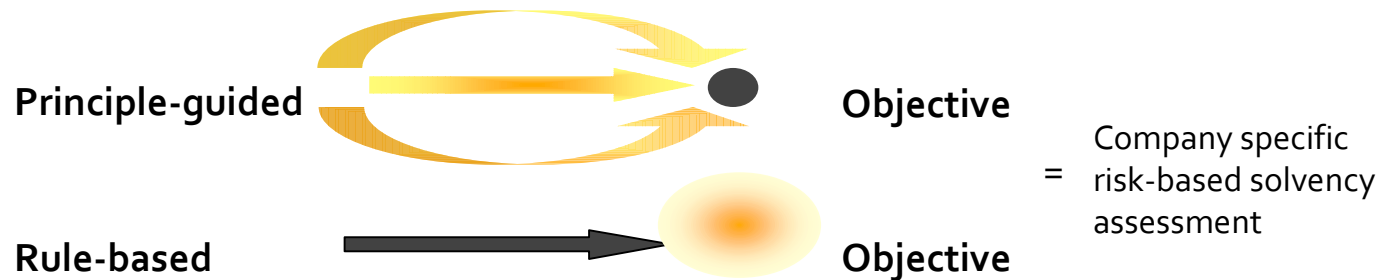
The industry is in the midst of an unprecedented crisis bearing regulatory risk and opportunities

- Recent crisis will result in new regulations
 - New liquidity standards
 - New capital requirements for off-balance sheet items
 - New disclosure and increased transparency requirements
- Regulatory requirements consume an increasing level of capital and resources
 - US Sarbanes-Oxley
 - UK ICAS, Swiss Solvency Test and Solvency II
- Regulations are increasingly burdensome: monitoring developments and ensuring compliance are the challenge

Key issue is not to have more or less of the current type of regulation, but better and more efficient regulatory structures and models

What are the building blocks for a better and more efficient regulatory framework

- **Regulation is guided by economic principles**



- **Regulation fosters comprehensive risk management**
 - Responsibility with senior management
 - Transparency supported by relevant disclosure requirements
 - Trust fostered by convergent/consistent regulatory practices
 - Full recognition of all forms of risk mitigation and diversification
- **Regulation recognises the economic reality of groups**
 - Efficient group supervision structure
 - Mutual recognition of supervisory regimes
 - Liquidity and mobility of capital
- **Regulation balances costs and protection of policyholders**

The *global risk coalition* – What?

The *global risk coalition* (*grc*) shall be

- the advocacy voice of global risk takers
- aimed at promoting stable, innovative and competitive financial markets
- through the establishment of modern and efficient regulatory frameworks.

The objectives of the *global risk coalition*

- The mission of the *grc* is to pursue the establishment of modern and efficient regulatory frameworks, which better recognize the way its members, as global risk takers, manage risk and capital.

- The *coalition*
 - monitors the new regulatory initiatives triggered by the current crisis;
 - actively reacts to misguided initiatives in the US;
 - actively engages in the modernization of regulatory frameworks in relevant jurisdictions;
 - undertakes educational efforts for regulators and industry about the benefits and efficiencies of a modernized framework;
 - addresses isolated departures from economic principles; and
 - supports the longer-term efforts of the IAIS to harmonize regulatory frameworks globally.

Interactions with other trade associations and think-tanks

Members' resources

- regulatory affairs
- group legal
- risk management
- communication and PR

Existing trade associations

- e.g. ABIR, ACLI, AIA, CEA, RAA, PCIAA

The *global risk coalition*

- advocates existing global positions
- develops new positions
- leverages work done by think tanks
- leverages members' resources and networks

European Partners

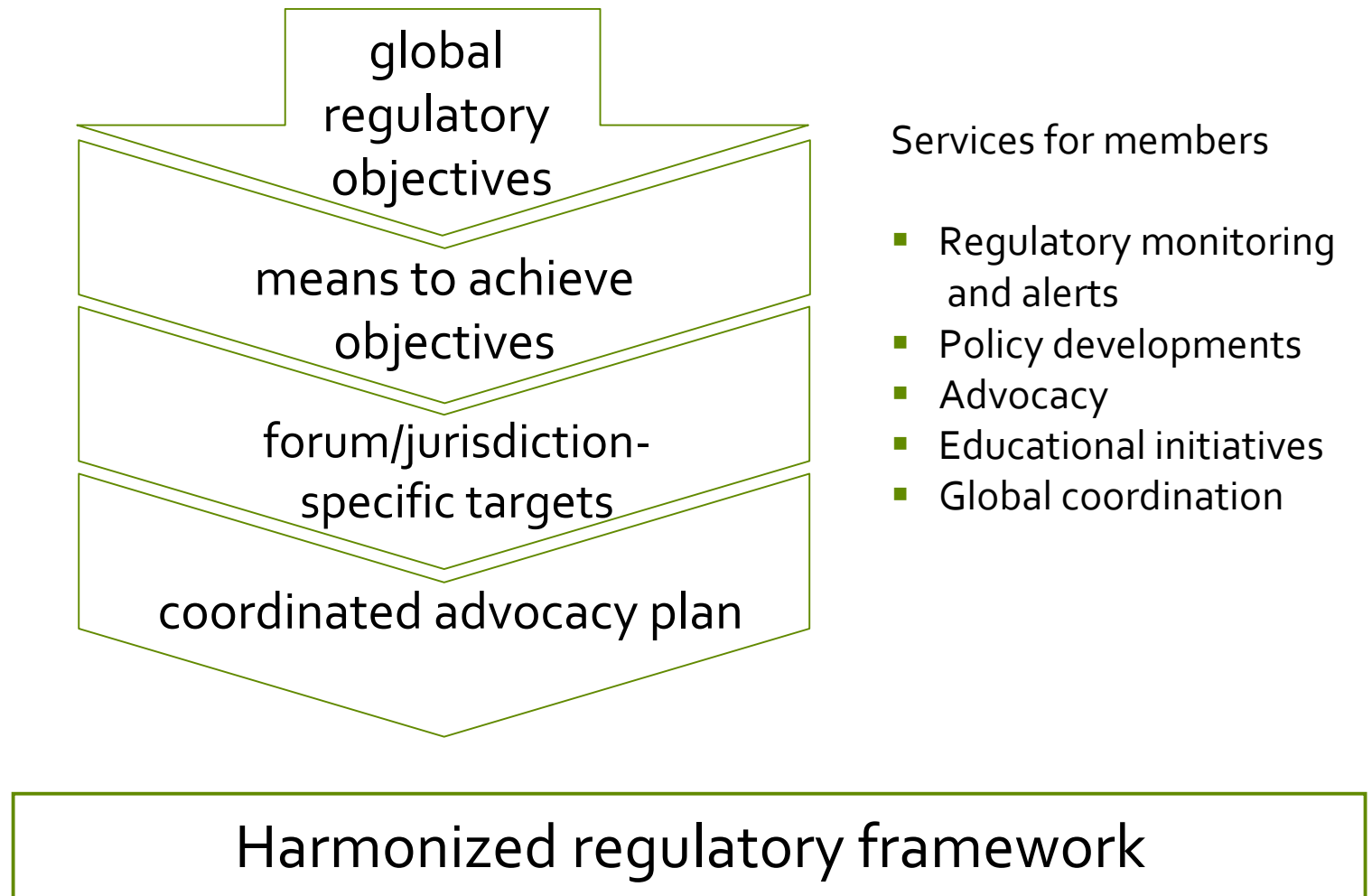
- CRO Forum
- CFO Forum

Think-tanks

- IIF
- Geneva Association

Significant focus on strategic partnerships with organizations with positions aligned with the *global risk coalition*

Towards a modern regulatory framework: The *grc* charter



How to contact the *global risk coalition*?

Whether you are interested to be a member or associate member of the *global risk coalition* or would like more information about its objectives and activities, please do not hesitate to contact us.

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