GROUP SUPERVISION PRINCIPLES

This document sets forth principles that will guide the RAA’s response to issues relating to financial regulation and supervision of (re)insurance groups.

DEFINITIONS

“Regulation” refers to the execution and enforcement of applicable (re)insurance laws within a jurisdiction. Any regulations, standards, principles, or guidance applied to companies must be authorized by the law of the jurisdiction in which the company operates.

“Group Supervision”, by contrast, focuses on coordination among functional regulators, including the use of supervisory colleges, appropriate non-regulatory governmental oversight, data calls, and collection and redistribution of information regarding legal entities that are part of a group.

PRINCIPLES

1. The Group Supervisor Has Distinct Responsibilities. All group-wide supervision of insurance should be exercised only by a governmental agency consistent with the legal authority under which the agency acts. Group supervisor responsibilities should not duplicate, nor conflict with, regulatory enforcement authority that may be exercised by legal entity regulators operating within their respective jurisdictions. Group supervision should not be used as a means for the extra-territorial application of a group supervisor’s local regulatory authority. Although there may be a number of legal entity regulators for different companies within an insurance group, there should be only one group supervisor.

2. Group-Wide Supervisory Responsibilities Must be Clearly Delineated in a Transparent Manner. The process for designating a group supervisor, and the method by which it coordinates with other regulators, should be clearly established and understood by relevant regulators and by the group and its regulated companies. The process and delineation of regulatory and supervisory responsibilities should minimize overlap or inconsistency, reduce the potential for conflict and defer to the jurisdictional authority of the group supervisor.

3. Regulatory Coordination Among Functional Financial Regulators is Important. For diversified financial institutions that include (re)insurance companies, there should be coordination among functional financial regulators to ensure that these companies are not
subject to regulatory standards or demands from a regulator that is not their functional regulator. Different functional financial regulators should coordinate with respect to their individual sector responsibilities so that there is effective monitoring of diversified financial firms in the context of group-wide supervision without compromising the primary authority of the functional regulators. To the greatest extent possible, such coordination should occur with the knowledge of the group supervisor.

4. **Any Quantitative Group Capital Adequacy Requirement should be based upon jurisdictional requirements and should seek to accomplish reasonable comparability for entities operating within a jurisdiction.** The target capital requirement should be set between a minimum and a prescribed capital amount, which would provide the basis for determining supervisory action levels. Initial supervisory action levels should activate an appropriate qualitative review of the group within the supervisory college, which should include utilizing the group’s own internal assessment (ORSA). The evaluation of group capital adequacy should take into account the economic, legal, financial reporting and regulatory environments in which the group operates, should consider the risks arising from the business written, its investment strategy, structure, and the importance of the insurance affiliates to the group. Supervisors should ensure that the assessment of capital adequacy does not become a regulatory substitute for the exercise of business judgment. There should be a clear delineation of separate group capital adequacy objectives and requirements among Global Systemically Important Insurers (GSIs), Internationally Active Insurance Groups (IAIGs), and other groups subject to group capital adequacy assessment. Confidentiality and privilege protection must be preserved for any proprietary information that is shared among different jurisdictional and/or functional regulators. The results of any individual company group capital adequacy shall remain confidential until the group capital adequacy requirement has been fully tested and established in the marketplace.

5. **Confidentiality Must Be Preserved in the Context of Group-Wide Supervision and Multiple Data Collections Should be Avoided.** Where information is collected and shared among different jurisdictional or functional regulators, confidentiality, privacy and privilege protections attached to that information must be preserved. These confidentiality protections must extend to the work papers that are created by the jurisdictional or functional regulators in the course of their analyses and examination of company data and to third parties that assist those regulators/supervisors. Regulators should strive to use existing data sources to the extent possible to avoid the burden and expense of multiple data collections. Principles of confidentiality should extend to any data provided to or shared with any third party for or on behalf of an insurance regulator.