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Consultation on the Key Attributes assessment methodology for the insurance sector

Dear Mr. Secretary General,

The German Insurance Association appreciates the opportunity to comment on the draft methodology concerning the implementation of the Key Attributes for the insurance sector. We continue to value and support the standard setting-work of the FSB to enhance the global stability of financial markets. In particular, we have closely watched and constructively contributed to the development of the insurance related, sector-specific guidance to the Key Attributes.

As the draft assessment methodology builds on the insurance related amendments to the Key Attributes published in October 2014, we refer to our comments submitted in the consultation period to avoid reiterations in terms of content (**Annex**). The concern we would like to raise with this letter is more related to the question of timing:

The Key Attributes apply to resolution regimes for insurers that could be systemically significant or critical if they fail. The IAIS has just launched a major project with the aim to develop an activities-based approach (ABA) to the mitigation of systemic risk in the insurance sector. The overall project is scheduled to finish in 2019 with a revised systemic risk framework becoming effective in 2020. The IAIS defines an ABA as an approach to mitigate systemic risk through broadly applicable policy measures addressing potentially systemic activities.

In contrast, the FSB Key Attributes for systemically significant or critical insurers are based on an entity-based approach (EBA) which is focused on whether the failure of an insurance undertaking imposes a threat to the wider financial system. The EBA is the underlying concept for identifying

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and regulating Global Systemically Important Insurers (G-SIIs). At the current stage of the process, it is unclear whether the ABA will eventually absorb or even replace the EBA. This uncertainty also includes the range of policy measures to be applied to mitigate systemic risk.

For instance, the IAIS considers recovery and resolution plans – an important aspect of the Key Attributes – currently as a possible, but not a mandatory measure under an ABA-approach. Irrespective of our general concerns with extensive planning requirements in terms of proportionality and due to the risk of overreliance in a concrete crisis situation, we assume that such plans would be conceptually inconsistent with an ABA.

Although we firmly believe that major aspects of the Key Attributes are already covered by European insurance regulation under Solvency II, we consider the consultation of a draft assessment methodology aiming at the implementation of the entire resolution framework for insurers premature given the work in progress by the IAIS. As a result, we would request the IAIS to postpone the process until the IAIS work is finished and the potential impact on the Key Attributes is clear.

Yours sincerely,

Dr. Jörg von Fürstenwerth



Dr. Axel Wehling