INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

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IAIS publishes supervisory recommendations to address remaining challenges of LIBOR transition in the insurance sector

IAIS report is a complement to the FSB-BCBS report and supports its recommendations for LIBOR transition

The International Association of Insurance Supervisors (IAIS) today published its report – *Supervisory issues associated with benchmark transition from an insurance perspective* – sharing findings and recommendations from a survey conducted amongst IAIS members. The report focuses primarily on LIBOR transition, given its predominant global role and the short remaining period for transition.

Developed in close cooperation with the Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS), the IAIS report contributes the insurance perspective to their report on issues associated with benchmark transition, also published today. The IAIS report is included as an annex to the FSB-BCBS report to be delivered to the G20 Finance Ministers and Central Bank Governors ahead of their virtual meeting on 18 July.

A distinct feature of benchmark transition risk in the insurance sector is that insurers may be exposed on both sides of their balance sheet – for instance on the asset side through investments linked to LIBOR or, on the liability side, through regulatory valuation methodologies that reference benchmark rates.

Continued reliance of financial markets on LIBOR poses clear risks to global financial stability. Transition away from LIBOR by end-2021 requires significant commitment and sustained effort from both financial and non-financial institutions across many jurisdictions.

Key messages from IAIS report:

The IAIS encourages insurance supervisors to strengthen their efforts in facilitating insurers' transition away from LIBOR.

The IAIS report sets out supervisory recommendations for supporting LIBOR transition, consistent with those contained in the FSB-BCBS report, namely:

- Enhancing identification of transition exposure and remaining transition challenges;
- Supporting facilitation of LIBOR transition; and
- Stepping up supervisory cooperation and coordination.

The wider implementation of the recommendations by insurance supervisors aims to facilitate a more effective and coordinated transition globally.

The IAIS and its members are committed to supporting the FSB-BCBS proposed next steps in further assessing transition progress and monitoring the evolving impact of the Covid-19 pandemic on benchmark transition.

Quote:

"As the industry shifts away from reliance on LIBOR, the IAIS' recommendations will help insurance supervisors assess and take appropriate action on transition risk, in support of global financial stability. The IAIS will continue to work closely with the FSB and other standard setting bodies in facilitating this transition." Vicky Saporta, IAIS Executive Committee Chair.

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. For more information, please visit www.iaisweb.org.