

## **GFIA comments on FSB principles for an effective risk appetite framework**

The Global Federation of Insurance Associations (GFIA) through its 35 member associations represents insurers that account for around 87% or more than \$4.0 trillion<sup>1</sup> in total insurance premiums worldwide. We appreciate the opportunity to comment on this document. In doing so, we note that the International Association of Insurance Supervisors and individual supervisors are doing extensive work on all elements of risk management while being flexible and reflective of the realities and diversity of the insurance sector.

### **There is a Need to State the Proportionality Principle.**

Proportionality is a fundamental principle underlying much of the work of international financial services supervisors, including insurance. In this respect we welcome the fact that the introduction states that: “The FSB Principles are high level to allow financial institutions to develop an effective risk appetite framework that is firm-specific and reflects its business model and organization, as well as to enable financial institutions to adapt to the changing economic and regulatory environment in order to manage new types of risk”. Given the importance of ensuring an appropriate degree of flexibility, we ask that a clear statement be included in the paper on the need for application of the proportionality principle when applying the risk appetite principles of the paper.

### **There Is a Need to Provide for Appropriate Confidentiality Protection.**

Many elements of the risk appetite framework, including the risk appetite statement and risk limits involve forward looking and strategic aspects of an insurer’s business. Accordingly, we believe that a clear statement needs to be added to the paper that supervisors need to provide adequately for the protection of sensitive information.

### **The Paper May Intrude Too Deeply Into the Affairs of the Insurer.**

On pages 3 and 6, for example, the paper states that the supervisor should review the confidential proceedings of the board, including its minutes. This runs the risk of blurring the line between the supervisor and the supervised entity’s responsibilities..

### **The Roles and Responsibilities Section Should Be More Outcomes Based.**

This section of the paper presumes the existence of certain corporate structures and then assigns particular duties to various officers. Over-all, it sets forth a more rigid and detailed approach than is either necessary or desirable. We think a better approach would be to focus on functions and outcomes.

## **Conclusion**

The GFIA believes the paper has some good aspects but should be more flexible so as to take account of the diversity of insurance business models. Both proportionality and confidentiality should be included. And, over prescriptiveness should also be avoided in favour of more outcomes based results.

## **About the GFIA**

Through its 35 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 56 countries. These companies account for around 87% of total insurance premiums worldwide. The GFIA is incorporated in Switzerland and its secretariat is based in Brussels.