

Client update

Financial Stability Board Opts Not to Amend List of Global Systemically Important Insurers or to Designate Reinsurers

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On November 6, 2014, the Financial Stability Board (the “FSB”), in consultation with the International Association of Insurance Supervisors (the “IAIS”) and national authorities, announced it had decided not to revise the existing list of global systemically important insurers (“G-SIIs”) in its annual review of the designation list, and presented a revised timeline for considering the designation of reinsurers as G-SIIs.¹ The FSB decision leaves intact the initial set of nine G-SIIs designated in July 2013: Allianz SE; American International Group, Inc.; Assicurazioni Generali S.p.A.; Aviva plc; Axa S.A.; MetLife, Inc.; Ping An Insurance (Group) Company of China, Ltd.; Prudential Financial, Inc.; and Prudential plc.

The FSB also delayed a decision on whether to designate reinsurers as G-SIIs, pending further development of the G-SII assessment methodology.² Under the revised timeline, the IAIS will complete changes to the assessment methodology by November 2015 to ensure that the methodology addresses all types of insurance and reinsurance and other financial activities of global insurers. The revised assessment methodology will be applied from 2016.

Designated G-SIIs are subject to various policy measures developed by the IAIS, including consolidated group-wide basic capital requirements (the “BCR”), finalized in October 2014 and applied to G-SIIs from 2015, and additional higher loss absorbency requirements (“HLA”) to reflect potential systemic risks, which are expected to be completed by the end of 2015 and applied to G-SIIs from 2019.³ Currently, the final policy measure is a group-wide global Insurance

¹ FSB, *FSB announces update of list of global systemically important insurers (G-SIIs)* (Nov. 6, 2014), available at <http://www.financialstabilityboard.org/2014/11/fsb-announces-update-of-list-of-global-systemically-important-insurers-g-siis/>.

² See IAIS, *Global Systemically Important Insurers: Initial Assessment Methodology* (July 18, 2013), available at http://www.iaisweb.org/view/element_href.cfm?src=1/19151.pdf.

³ See IAIS, *Global Systemically Important Insurers: Policy Measures* (July 18, 2013), available at http://www.iaisweb.org/view/element_href.cfm?src=1/19150.pdf; IAIS, *Basic Capital Requirements for Global Systemically Important Insurers* (Oct. 23, 2014), available at http://www.iaisweb.org/view/element_href.cfm?src=1/23741.pdf.

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Capital Standard (“ICS”), which is due to be completed by the end of 2016 and applied to internationally active insurance groups from 2019. Initially, the BCR will be the foundation for the HLA, but once the ICS is adopted, the ICS is expected to replace the BCR.

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Please do not hesitate to contact us with any questions.