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Axel Oster
Chair, IAIS
Insurance Groups and Cross-Sectoral Issues Subcommittee
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Subject: ABIR Comments "Guidance Paper on the Use of Supervisory Colleges in Group-Wide Supervision"

Dear Chair Oster:

On behalf of the 23 members of the Association of Bermuda Insurers and Reinsurers (ABIR), please accept these comments on the draft paper entitled "*Guidance Paper on the Use of Supervisory Colleges in Group-Wide Supervision*". ABIR's members are engaged in global underwriting of insurance and reinsurance. Most of our members operate as groups with lead underwriting or holding company operations in Bermuda, but with additional holding companies and subsidiary corporations in North America, Europe and elsewhere in the world. As a result ABIR members are keenly interested in group wide supervision regulatory issues. ABIR is in consultation now with the Bermuda Monetary Authority (BMA) on group wide supervision matters and in 2008 several of our members participated in BMA hosted regulatory colleges. ABIR members are familiar with group financial examinations in the United States and with regulatory colleges in some European jurisdictions.

Supervisory colleges are an essential ingredient of group wide supervision. We have spoken to our belief on this point in previous public hearings of the IAIS Technical Committee. These regulatory coordination bodies afford an important opportunity for regulators to learn from the insurance group how it is economically structured and what management perceives the chief operational and solvency risk issues to be. As pointed out in paragraph 9 of the draft paper, the colleges afford the regulators a firsthand opportunity to "form a comprehensive view of the business strategy, financial position, legal and regulatory position, risk exposure and risk management and governance processes of the insurance group as a whole".

A. We would expect insurer managements to be integrally connected to many of the activities associated with the supervisory college. As such we find it ironic that the first reference to interacting with "entities within the group" comes at paragraph 31 on page 9. A second reference to "liaison" with the regulated entities comes on page 10, paragraph 39. The first substantive reference to "relations with the insurer" is on page 11, paragraph 48. We make these points to underscore that some central discussion is needed in this paper on the role of the insurer's executives with the supervisory college. Our fundamental point is that to be successful group supervision must be carried out in close consultation with the insurer's group management. Notably, one of the goals of the college is peer review of the group regulator and the solo entity regulators to ensure that essential, appropriate actions are being undertaken. We posit that interaction with the insurer's management is an essential ingredient to ascertain what is being done within the group by the various solvency regulators. Interaction with company management is likely to yield valuable information not only on group management, but also on regulatory capabilities and actions in the multiple jurisdictions.

Our final point is that a concluding section in the paper needs to describe how regulatory findings are shared (regularly) with the regulated group. Frequent discussions of the regulatory college will likely yield information pertinent and necessary for the insurer. One of the goals of the college is to achieve efficiencies in regulation and thus informing the insurer of regulatory college's actions is one way to ensure that efficiencies can be achieved.

Perhaps the writers view the interaction of the college with the company management to be understood. That may well be the case since it seems to be a central, necessary ingredient. Our suggestion would be, though, that the paper include a description of the role of the insurer in the college and conclude with a paragraph describing how key actions and other feedback will be shared with the insurance group.

Thanks for your consideration.

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