

The regulatory framework for the (re-)insurance industry is in a phase of material changes. (Re-)insurance markets may suffer from trade barriers implemented in several jurisdictions.

## Regulatory Environment

The development of the modern (re-)insurance industry has gone hand in hand with ever-changing regulatory schemes. As the (re-)insurance industry is of major importance both economically and to society at large, (re-)insurance markets and products traditionally have been strongly regulated. During the last decade, a substantial transition could be observed for the regulatory framework of the entire (re-)insurance industry. These major changes are still ongoing and will lead to material transformations for the industry on a global level.

In 2016 the Global Reinsurance Forum (GRF) has identified several major jurisdictions around the world which have either implemented, or are in the process of implementing, barriers to the transfer of risks through global reinsurance markets. This is an increasing worldwide trend, which undermines the efficiency of reinsurance markets. Such barriers reduce competition leading to reduced customer choice, higher reinsurance costs and less capacity in the long-term. The main reinsurance trade barriers and market access issues named by the GRF are:

- Restrictions on the ability of reinsurers to freely conduct business on a cross-border basis, thus limiting the capacity of global reinsurers to spread risks globally and to prevent a domestic concentration of risks.
- Requirements for reinsurers operating on a cross-border basis to collateralise or localise assets, preventing the global reinsurance market from transferring and spreading risks on the basis of a competitive, level playing field across borders.
- Barriers to the establishment of branches, subsidiaries and operations which restrict the effectiveness of reinsurance by impeding local underwriting expertise and direct risk-transfer services in domestic markets on an open and competitive basis.
- The use of discriminatory and anti-competitive mechanisms such as compulsory cessions to domestic entities, and systems of 'right of first refusal', limiting the competitive capacity of global reinsurers to operate on a level playing field.

Internationally active (re-)insurers collect and analyse massive amounts and different kinds of data. As they often manage business in countries outside of their country of domicile through branches or subsidiaries, data transfer to and from varying jurisdictions is unavoidable. The flow of data across borders is a central part of the (re-)insurers' business model and can also be necessary from a compliance or legal perspective. The collection, processing and potential transfer of such data is done in compliance with local data protection laws. The main purpose of these regulations is to prevent encroachment on the individual's right to privacy through the mishandling of his/her personal data. However, recently proposed or envisaged data flow restrictions in certain jurisdictions will greatly restrict, or in certain instances prevent, cross border trade. Other major problems are also regulatory rules relating to data processing or data storage which have increased in the past years.

The International Association of Insurance Supervisors (IAIS) continues to work on three general topics: standards for identifying and supervising Global Systemically Important Insurers (G-SIIs), the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) including the first global Insurance Capital Standard (ICS), and the Insurance Core Principles (ICPs). One of the next steps is the development of a risk-based group-wide Insurance Capital Standard (ICS) to be applied to Internationally Active Insurance Groups (IAIGs). The ICS as currently proposed has three major components: valuation, capital resources, and the ICS capital requirement.

For the future it can be assumed that supervisors increasingly will look beyond the boundary of an individual regulated insurer. They also will focus on the wider group and holding company operations. New governance, reporting and capital requirements will be enacted with an eye towards comprehensive international group operations. Insurance-critical functions are viewed more and more as part of essential services which must be maintained adequately. (Re-)insurers will need to invest more in resolution and contingency planning as a result and must be able to demonstrate that their risk governance procedures account for all levels of operations.