

American Property Casualty Insurance Association – Written evidence-(CIR0019)

Commercial Insurance and Reinsurance Regulation

The American Property Casualty Insurance Association (APCIA) appreciates the opportunity to submit comments in response to the call for evidence into commercial insurance and reinsurance regulation in the United Kingdom. APCIA is the primary trade association for home, auto, and business insurers in the United States. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions of insurers —protecting families, communities, and businesses in the United States and across the globe. APCIA member groups are present in over seventy countries and serve customers in over one-hundred and seventy countries and territories around the world. Several of our members are active in the UK market directly or through Lloyds.

Our members welcomed the bilateral “covered agreement” between the United States and the United Kingdom in 2018 in which the U.S. and UK governments recognize the appropriateness of group supervision for large international insurers. The agreement acknowledges that group supervision of insurers and reinsurers enables supervisory authorities to form sound judgments of the financial position of these groups. The agreement also provides that host supervisory authorities may exercise group supervision at the level of the parent undertaking in its territory, where appropriate, with regard to a home party insurance or reinsurance group. However, reflecting the strength of the bilateral covered agreement and the regulatory confidence it should create, we suggest that the United Kingdom consider relying more on the existing group supervision of U.S. groups rather than duplicating certain requirements at the level of the subgroup in the UK. Such an approach would be a more effective use of regulators’ resources and would reduce the burden of regulation for U.S. companies doing business in the United Kingdom. Duplication of regulation is costly to the Prudential Regulator Authority (PRA), to insurance companies, and, consequently, UK policyholders.

We believe group-level supervision provides the most effective and meaningful regulation for international insurance groups, and APCIA has been supportive of the move towards group supervision in the insurance industry both in the United States and internationally. We encourage the participation of U.S. insurance regulators in the colleges of international groups which do business in the United States and commend the UK PRA for

the commitment it has made to being active in the college of U.S.-based groups.

Bank of England leaders often highlight the value of “supervisability” of other jurisdictions where the regulatory systems are strong, and cooperation and exchange of information with the PRA is robust. The United States, under the leadership of the National Association of Insurance Commissioners (NAIC), has recently developed a coordinated national standard for group capital and group supervision. Given the ever-closer ties and cooperation between our regulators, we believe that the time is right for the UK regulators to increase their reliance on U.S. group supervision and to identify opportunities to reduce duplicate regulation at the UK subgroup company level. Most international insurers operate as an integrated group, with centralized governance, risk management, and strategy.

Specifically, one such opportunity would be to rely on the group risk management systems at the corporate level as presented to the supervisor of the global group, rather than requiring a separate risk management plan for each UK subgroup. One of the existing provisions of the colleges of supervisors is that the group Own Risk and Solvency Assessment (ORSA) be shared with other supervisors for review. We believe that relying on the ORSA of the group at the parent level rather than requiring additional ORSAs for each legal entity in the United Kingdom would be a more effective use of regulators’ resources and would reduce the burden of regulation for U.S. companies doing business in the United Kingdom while maintaining the strong prudential outcomes that the PRA rightly requires. This reform of ORSA requirements would certainly increase the competitiveness of the United Kingdom market to U.S. insurers and would reaffirm the commitment of the United Kingdom to the group-supervision process.

Thank you for your consideration of our views. We would be pleased to answer any questions you might have or provide any additional information.

11 February 2022