

DOMESTIC REGULATION, REGULATORY CAPACITY
AND FINANCIAL STANDARDS

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Structure of Talk

1. Regulation of the insurance industry:
 - o Why necessary
 - o What it should cover
2. Regulation and the international nature of insurance and reinsurance business.
3. Pro and anti-competitive regulation.
4. Development of international regulatory standards.
5. Conclusions.

Regulation of the insurance industry

- Why is it necessary?
- The Anglo-Bengalee Disinterested Loan and Life Assurance Company
- What it should cover:
 - o Prudential issues
 - o Market conduct
 - o Differentiation between market sectors.

Regulation and the international nature of much insurance and reinsurance business

- Insurance and reinsurance provision is increasingly international, if not global.
- Trading can occur cross-border or by way of establishment.
- Regulatory disparities can cause inefficiencies, duplication or arbitrage.
- Compelling case for convergence of international regulatory standards.

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Pro and anti-competitive regulation

- Regulation can be a mechanism for:
 - Promoting competition
 - Hindering competition
- In a trade context, it is important that:
 - Countries have capacity to administer regulation efficiently.
 - Regulation should be:
 - Transparent
 - Not be more burdensome than necessary
 - Proportionate ('better regulation')
 - Non-discriminatory
 - Should not be an overt or covert trade barrier
- Best regulatory practices in the Insurance Model Schedule

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Development of international regulatory standards

- Convergence of regulatory standards through international bodies (the EU example) and its impact on market access.
- Debates in other fora (e.g. IAIS)
 - Are less developed
 - But have made good progress (e.g. core principles, standards, principles and guidance notes) and are increasingly tackling current challenges.
 - However, some would argue that they tend to form a floor rather than a ceiling of good regulatory practice.
 - Mutual recognition debates.
- To what extent can international standards be a benchmark of sound regulation in trade disputes.

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Conclusions

- The need for regulation.
- The areas to be regulated.
- The importance of transparent, proportionate, non-discriminatory regulation.
- Regulation can be both pro and anti-competitive.
- The case for convergence of international regulatory standards.
- The growing role of convergent regulation in market liberalisation.

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