Insurance Development Forum

Insuring Resilience

Critical Legal, Regulatory and Policy Architecture

Contents

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1. Introduction

There is growing recognition of the important multi-faceted role that the insurance industry can play in enhancing the resilience of individuals, businesses, communities and nations to climate change and other natural catastrophes. The insurance industry's capabilities include: (1) risk assessment – modelling, mapping, analyzing risk exposure metrics, (2) risk mitigation and loss prevention pre-event, (3) risk transfer via insurance, reinsurance, and related capital markets vehicles (e.g., catastrophe bonds), (4) loss recovery-- including the expedited release of recovery funds post event and (5) institutional investor, particularly in resilient infrastructure. Taken together, the ability to deploy these wide-ranging benefits will be critical to protecting the most at-risk communities and countries.

For these benefits to be realized, however, it is critically important to have the right legal, regulatory and government policy environment in place. This report provides an overview of the myriad of laws, regulations and policies that are relevant to creating this enabling environment.

In reading this report it is important to understand that:

- It focuses primarily on the resilience of sovereigns and sub-sovereigns to large scale catastrophes.
- It is high level and indicative, not comprehensive.
- It identifies the types of laws, the areas of relevant concern and importance. It does not provide details on specific provisions for these laws, regulations, and policies.
- The development/collection of such specific legal, regulatory and policy proposals is a natural next phase of work.
- Ultimately, what is needed in a particular country will be the product of an in-depth review and consideration of the facts and circumstances presented by the country. It is clear, that one size will not fit all.

This report is intended to raise awareness of the importance of the proper legal, regulatory and policy environment in promoting resilience and by extension sustainable economic development. By providing an initial catalog of the issues and areas of interest that must be addressed, we intend to stimulate further, more detailed work that will translate into improvements in the relevant environments.

2. Insurance Laws and Regulations

An effective and efficient insurance regulatory system is critical to the development and operations of the insurance sector in any given country. The regulatory system must: ensure the financial strength and reliability of all market participants, promote competition and the development of a robust local market, allow innovation in risk assessment and risk pricing, facilitate access to all forms of reliable capital, facilitate and regulate distribution channels and provide necessary market conduct and product regulation. Many of these regulatory requirements will change depending on the market segment concerned. For example, the regulatory rules surrounding the insurance of sovereign and sub-sovereign risks will be different than those required for personal and commercial lines insurance and micro-insurance products. The regulation of reinsurance should be different than the regulation of the sale of personal lines insurance.

Although specific rules will vary from country to country, the following is a catalogue of the types of laws, regulations and policies to consider when developing an insurance framework.

1. AUTHORIZING LAWS

- Recognition of the role and authority of supervisor or regulator
  - Identification of the insurance supervisor/regulator – its mandate, objectives, legal foundation, and legal powers
  - Authorize general rulemaking powers
  - Delegate powers to develop detailed rules
  - Set powers to issue license and apply conditions or limitations to licenses
  - Set enforcement powers for failure to meet regulatory requirements, conditions, ongoing supervision, etc.
- Recognition of a wide range of business models, processes, potential market participants and service providers. This includes authorization of mutuals, cooperatives, reciprocals, captives, as well as stock companies and other market participants both from within the home country as well as global participants from outside the home country.
- Minimum requirements in the following areas:
  - Licensing: identification of entity, form of entity and requirement to report to supervisor/regulator
    - Define insurance activities that are subject to licensing
    - Sets forth exceptions to certain licensing requirements
    - Treatment of parametric insurance
    - Prohibit unauthorized insurance activities
    - Set forth the process for applying for the license or registration
      - Clear and transparent process
      - Any restrictions on ownership or control
    - Set forth the process by which foreign insurers are allowed to conduct insurance activities within the jurisdiction
    - Authorize licensees to perform specified services in international jurisdictions (*i.e.*, cross-border services)
  - Financial Reporting: Balance Sheet; Income Statement; relevant accounting standards; impact of reinsurance; treatment of non-insurance activity; identification of expenditures and claims payments; frequency of reporting (quarterly, bi-annual, annual)
  - Operations: language for communications by and among supervisor, insurers, intermediaries, customers, market, etc.
  - Confidentiality of information submitted to the supervisor/regulator
  - Rate regulation—ensuring rates are actuarially sound

2. SOLVENCY AND RISK MANAGEMENT REGULATION

- Capital requirements, including appropriate
  - Minimum capital requirements
  - Solvency control levels and supervisory intervention triggers
  - Identification and treatment of capital resources (*i.e.*, assets and liabilities, contingent assets; unrealized assets)
  - Criteria for the assessment of the quality and suitability of capital resources
  - Capital charges
- Valuation of assets and liabilities standards
- Qualifying capital standards
  - Recognition and reliance on third-party guarantees
  - Debt
  - Stock
  - Reinsurance capital
  - Other forms of contingent capital
  - Assessments on policyholders (for mutual and cooperatives)
  - Asset/liability matching
  - Reserve adequacy disclosures
- Underwriting
  - Actuarial Functions: shared across the market or individual entity based
    - Technical provisions covering premiums and pricing
  - Risk-based pricing of insurance products.
- Investment laws and liquidity standards
- Risk management and internal controls
  - Reporting to supervisor/ regulator
    - Enterprise Risk Management Reports
    - Own Risk and Solvency Assessment (ORSA)
  - Compliance requirements
  - Internal and/or external auditing
  - Actuarial functions, including testing models
  - Accountability for outsourcing material activities or functions
  - Environmental, social and governance ("ESG") and other sustainability requirements

3. CORPORATE Formation and GOVERNANCE REGULATION (*i.e.*, organization and management of the entity)

- Organizational structure:
  - Identification of the legal entity
  - Consider whether the entity providing insurance must be a separate legal entity from entities doing business in other industries
  - Minimum size to reflect the need for:
    - Risk pooling to exist (see, Financial Regulation: Minimum Capital Requirements)
    - Effective business processes to manage the retained risk
  - Types of entities: corporations, privately owned; mutual; cooperative; community based organizations
- Internal oversight and management
  - Board composition and structure
  - Suitability of board members (*i.e.*, competence); individual or collective suitability
    - Training
    - Staggered terms (to maintain collective experience)
  - Board powers and delegation to senior management
  - Fiduciary duties
  - Conflict of interests
  - Election and voting of members
- Ongoing supervision – conditions or qualifications:
  - Demonstration of board member, senior management, key persons and significant owners suitability
  - Notifications of changes to board member, senior management, key persons and significant owners
    - Before the change or after the change
  - Enterprise risk management
  - Procedures for valuation
  - Periodic examinations and self-reporting
- Change of control process, review and approval
- Company winding up or exiting
  - Withdrawing a line of products
  - Insolvency proceedings

4. REINSURANCE REGULATIONS

- Licensing: consider whether domestic reinsurers will be licensed or registered in the same manner as direct insurers
- Appropriate access to international reinsurance markets on a cross border basis
- Documentation of reinsurance arrangements
- Reporting and supervision of risk transfer strategies of domestic cedants reflecting the nature, scale and complexity of their business, and are part of their wider underwriting and risk and capital management strategies

Laws or regulations which restrict cross border trade in reinsurance can limit reinsurance market support critical to local insurance market development and penetration. These laws can take the form of regulatory barriers (such as mandatory cessions to domestic markets, collateral requirements) or tax policy that discourages cross border trade or reinsurance utilization specifically.

5. INTERMEDIARY REGULATION

- Recognize wide range of business models and service providers - reflecting various forms and needs of the intermediary *(i.e.*, selling insurance may not be its primary function)
    - Intermediaries may provide supplemental functions for (re) insurers, including: underwriting, premium collection, administration, management of insurance claims, loss adjusting and claims appraisal
- Licensing requirements:
    - Define activities which require licenses
    - Sets forth exceptions to certain licensing requirements
    - Licensing requirements applicable to intermediaries operating on a cross-border basis from outside the jurisdiction
    - Authorize licensee to perform cross-border services in international jurisdictions
- Minimum financial resource requirements
- Ongoing supervision (monitoring compliance):
    - Periodic review and examination
    - Breaches to license conditions are reported promptly
    - Alternatives to direct supervision:
        - Indirect supervision through supervision of the insurer
        - Self-regulatory Organizations
- Requirement that insurers conduct business only with licensed or registered intermediaries
- Determine what standards and obligations apply solely to the intermediary or jointly between the intermediary and the (re)insurer
- Protection of client funds
- Requirements regarding fees and commissions
    - Monitoring potential conflicts of interest
    - Supervision of non-monetary benefits

6. Data and Technology Regulation

- Data privacy
- Data protection
- Data use
- Technology use –including determination of what technology services are defined as transacting the business of insurance.

7. Market Conduct Regulation

A topic of less relevance to insurance of sovereign and sub-sovereign risks, but of significant importance to personal lines and many commercial lines.

- Treat the customer fairly requirements
- Rate and policy form regulations
- Claims settlement standards
- Underwriting criteria and practices
- Marketing/ illustration requirements

3. General Laws

Beyond having the proper insurance regulatory environment, the insurance sector requires laws which generally support commercial operations, including the formation and enforcement of contractual rights. These can be generally viewed as basic "rule of law" requirements, but include laws addressing:

- Contract Execution
  - Ability to execute
  - Form of a contract
  - Consideration
- Statute of Frauds
  - Nature and Content of Writing Required
  - Requirement of a Signature
  - Effects of Failure to Comply
- Statute of Limitations
- Contract Interpretation
  - Parol Evidence Rule
  - Evidence of Course of Dealing, Usage and Course of Performance
  - Custom and Practice
- Choice of Law/Forum
- Causes of Action
- Rights of Third Parties
  - Contract Beneficiaries
  - Assignment
  - Delegation
- Dispute Resolution Mechanisms
  - Due Process
- Arbitration laws
  - Arbitrability
  - Enforcement of arbitral awards
- Remedies
  - Damages
    - Contract Damages
    - Punitive Damages
    - Liquidated Damages
  - Equitable Relief
  - Specific Performance
  - Injunction
  - Rescission
  - Restitution
- Enforcement/Recognition of Judgments
  - Domestic
  - International
- Consumer Protection (limited applicability to sovereign risks and reinsurance)
  - Unfair claims practices
  - Good faith and fair dealing
  - Bad faith
- Insolvency/Bankruptcy
  - Ability to Make Claims Against a Bankruptcy Estate
  - Stays
  - Receivership
  - Enforcement
- Anti-corruption laws

4. Securities/Capital Markets Laws and Regulations Affecting ART Solutions

Increasingly, sovereigns and quasi-governmental agencies have turned to capital markets and alternative risk transfer ("ART) solutions to supplement their use of (re) insurance. Alternative risk transfer solutions include instruments such as catastrophe bonds, side cars, industry loss warranties and weather or other swaps and derivatives. The right legal and regulatory framework must be in place to facilitate the deployment of the full panoply of alternative risk transfer solutions. This includes:

1. Insurance Regulation. Many reinsurers, including special purpose insurers used in the offering of insurance-linked securities ("ILS"), are not licensed in the jurisdictions where the risks being reinsured are located. In most alternative risk transfer and capital markets transactions today, the risk-taking entity must conduct certain activities only in its home jurisdiction, both to avoid running afoul of insurance regulatory requirements to have a license, as well as for tax reasons. Most jurisdictions regulate the sale of insurance within their territory, but do not restrict the purchase of insurance on risks located in that jurisdiction as long as selling activities are conducted outside of the relevant jurisdiction. As a result, unless exemptions from licensing are enacted, certain selling activities may be required to be conducted outside the relevant jurisdiction unless the reinsurer and any agents or brokers are licensed or otherwise authorized.

In addition, ILS themselves must be carefully scrutinized to ensure that investment in ILS does not itself constitute insurance. Most if not all ILS issuances are limited to investors in prescribed jurisdictions as to which counsel has advised that investment in the ILS in question will not constitute insurance.

2. Commodities, Swaps and Derivatives Regulation. While many ILS transactions effect risk transfer through reinsurance, others transfer risk through industry loss warranties, swaps or derivatives. Swaps and derivatives are highly regulated financial instruments, and licensing and other legal requirements under the sovereign's laws must be examined and complied with if exemptions are not made available. Furthermore, some jurisdictions, including the U.S., regulate not just swaps and derivatives, and the sale of swaps and derivatives, but also investment in certain entities that enter into swaps and derivatives (e.g. commodity pools). Regulation of swaps and derivatives, like securities regulation, is therefore a multi-jurisdictional issue for legal purposes.

3. Securities Regulation. Transactions involving the offering or sale of ILS are subject to securities regulation. Common securities regulation issues include licensing and regulatory compliance of securities brokers and dealers (or persons acting as broker/dealers) in ILS offerings. In addition, the offering and sale of securities by issuers and other participants in a securities offering is highly regulated in most jurisdictions.

4. Sovereign Immunity. Many governmental sponsors of risk transfer transactions, including national and local governments, governmental agencies and semi-governmental agencies, enjoy sovereign immunity. At least under U.S. and English law, sovereign governments may enjoy both immunity from suit and immunity from enforcement. While in certain cases either (or preferably both) immunities may be waived, effecting a waiver raises issues of due authorization and whether the waiver has effectively been enacted or promulgated. If sovereign immunity applies and is not effectively waived, any contract with a sovereign underlying an ILS (including reinsurance agreements, swaps and derivatives) may not be legally enforceable against the sovereign; while the sovereign will be able to enforce its contractual rights against the reinsurer or other risk taker in the ILS transaction.

5. Income/Excise Taxation. Taxation is a constant issue with respect to the economic risks and rewards of ILS and risk transfer transactions. In many cases, governments tax income earned with respect to activities conducted in their territory by non-resident entities domiciled in foreign jurisdictions. Insurance regulatory restrictions (or in some cases regulation of swaps and derivatives), coupled with income tax considerations, often effectively require that reinsurers and other risk takers in ILS conduct certain activities outside of the jurisdiction from which risk is being transferred, either to avoid insurance regulatory violations or tax on income that is effectively connected to a trade or business in the jurisdiction in which the risks originate. In some cases, jurisdictions impose excise or withholding taxes on payments to offshore entities, even if they are not subject to income tax.

6. Government Procurement. While beyond the scope of this outline, restrictions on and requirements for government procurement impose procedural and substantive issues on any sovereign transfer of risk. Procurement by governments, governmental agencies and semi- governmental agencies is often regulated at the national, international, and local level. Process requirements can often, at a minimum, prolong the timetable to execution. Substantive requirements may affect the ability of certain vendors and service providers to participate. The impact of complying with government procurement requirements should be mapped out an early stage to understand how they may affect execution of any affected ILS transaction.

7. Collateral Requirements and Credit for Reinsurance. In ILS transactions, the reinsurer or other risk-taking entity usually posts collateral in a so-called "Regulation 114" trust or other collateral mechanic. Prior to the credit crisis, collateral was often subject to a "total return swap" that was 'wrapped' by a major bank, but the failure of a major investment bank and resulting default on certain catastrophe bonds has resulted in collateral in ILS largely being limited to U.S. Treasury money market funds and sovereign obligations, World Bank debt and other highly- rated liquid collateral. Governmental purchasers of risk transfer may have additional legal or political requirements for the collateral posted to them (or they may seek to avoid currency risk by having collateral denominated in their home currency); investors in ILS may also have preferences as to currency risk, and the imposition of currency risk with respect to the underlying collateral may affect their appetite.

5. Disaster Risk Management/ Mitigation/Response Policies

Many countries have established legal, regulatory and/policy frameworks for the management of disaster risks. It is important that governments take a risk-informed, holistic, multi-faceted approach to reducing the most critical protection gaps and enhancing the overall resilience and sustainability of their country. These frameworks are often focused exclusively on the government's arrangements for disaster risk management (including emergency response) although a number of commonly included elements are relevant for the insurance market, as outlined below.

Risk assessment

As noted above, a key insurance sector contribution to the management of disaster risk is its ability to assess and quantify exposure to disaster risk and to provide a framework and the skills/ resources to mitigate the risk. However, to assess and quantify disaster exposure insurance companies require access to data that may be collected by (or whose collection may be facilitated by) government agencies, including the meteorological, geological, hydrological and other scientific information necessary for understanding hazards as well as the land-use and buildings data necessary to understand exposure.

Disaster risk management laws, regulations and/or policy frameworks sometimes assign responsibility to a given agency or group of agencies for assessing the level of risk in different regions of the country to different types of hazards. Such laws or policy frameworks might also provide the framework for the sharing of information hazard and risk information. Some legal frameworks impose an obligation on government agencies to make such information publicly available and therefore ensuring that the most comprehensive set of possible data is made available.

Appropriate risk management

In order for insurance markets to make an important contribution to absorbing the financial impacts of disasters, the level of exposure must remain manageable and allow for risk-based premiums that are affordable to consumers (i.e., the potential residential, commercial, and public sector policyholders).

Disaster risk management laws, regulations and policies will usually establish the overall approach to managing the country's exposure to disaster risk, including the policy tools that can be used to reduce (or at least contain) the level of disaster risk exposure (e.g., land-use planning, building codes, water management, investments in protective infrastructure). Enlightened approaches include incentives for risk mitigation, including building back better.

In highly decentralized countries, the responsibility for many of the policy tools available for managing levels of disaster risk may lie with sub-national levels of government. In such circumstances, national disaster risk management laws and policies may need to establish (where feasible) minimum requirements for land-use planning, building codes or large-scale infrastructure development. Where authority to establish minimum requirements is not available to national governments, consideration could be given to creating incentives for sub-national governments to establish high standards for risk management (e.g., through co-financing arrangements).

Public awareness

In order for insurance markets to make an important contribution to absorbing the financial impacts of disasters, there must also be sufficient demand/willingness-to-pay for insurance coverage from consumers (i.e., the potential residential, commercial, and public sector policyholders). An important driver of the level of demand/ willingness-to-pay is the level of risk awareness among potential consumers of insurance.

Disaster risk management laws, regulations and policies may provide reporting and other disclosure requirements related to the level of risk or hazard in different regions and/or the level of impact of past disaster events (e.g., damages and losses). Requirements for collecting and publicly reporting risk and/or loss information can make an important contribution to public awareness and the willingness-to-pay for insurance coverage.

Insurance schemes

Many countries face levels of exposure to one or more perils that are beyond the capacity of the insurance market to cover. The increasing frequency and severity of weather-related events have only exacerbated these vulnerabilities. In such cases, disaster risk management laws, regulations and/or policies should consider allowing for the establishment of a government (re) insurance scheme or a government guarantee for a private insurance scheme aimed at providing coverage for a risk that would otherwise be uninsurable. Careful consideration needs to be given to the design of such schemes, considering the potential impact on private markets and incentives for risk reduction. In some countries it will also be critical to align important development agency work focused on disaster risk reduction with broader efforts to enhance societal resilience through insurance and other tools.

6. Tax Policies

A nation's tax policies can have a profound impact on the function of the insurance sector within its boarder. Critical issues to consider included.

- Whether to tax premiums or profits?
- If taxing premiums, what costs are deductible?
- If taxing profits, to what extent are loss reserves deductible?
- Should some disaster risk insurance be exempt from premium taxation to effectively lower the cost of such insurance?

Value Added Taxes

In many jurisdictions, a Valued Added Tax (VAT) structure has been enacted. Application of VAT however to insurance and reinsurance is a critical issue. *In the three largest insurance markets in the world—the EU, Japan and the United States—insurance and reinsurance products are specifically exempted from VAT in the EU and Japan; and are not subject to VAT law in the US.*

Life/Health insurance: In addition, life insurance products have been excluded from VAT in additional jurisdictions. It is our understanding that these exceptions are often supported to encourage life insurance use for asset/pension savings. Examples of exemptions: Australia exempts health insurance; China exempts long-term life and health; Malaysia, New Zealand and Singapore exempt life insurance.

General insurance: Beyond the three major markets noted above, it appears that certain general insurance products are sometimes exempted from VAT, again probably to promote market utilization. While Canada and Korea also broadly exempt general non-life insurance from VAT; an example of a class specific exemption is China which exempts agricultural insurance from VAT.

Reinsurance: In the developed world reinsurance is most often exempted (or zero rated) from VAT; this is particularly true for cross border reinsurance – a foreign supplier of a reinsurance product to support a domestic insurer. The notable exception to this rule is China.

Compliance with Global Standards, Tax Information, Tax Havens, Disclosure

There has been substantial activity regarding efforts to establish new international standards for taxpayer disclosure, cooperation, and enforcement. Both the G20 and the OECD have been active in this area. The details and reach of these initiatives are beyond the scope of this paper. However, it is important to note that tax policies on cross border transactions in particular can have significant impact on insurance transactions, given the global nature of the industry and the risks that it covers. In particular, cross border reinsurance transactions can be restricted by legal requirements in place in certain jurisdictions that subject reinsurers either to withholding taxes or limit placements that can be made to such jurisdictions. Some countries, for example, limits cross border trade to reinsurers in a "low tax" jurisdiction, at least one of which defines this a jurisdiction with less than a 20% corporate tax rate; Another jurisdiction applies a 20% withholding tax on certain cross-border reinsurance transactions. The US applies a Federal Excise Tax (FET) to insurance and reinsurance transactions which then can be waived once a Double Taxation Treaty is agreed to with another jurisdiction. In 2018 the US also enacted a base erosion anti-abuse law that has broad applicability to US companies but has significant impacts on cross boarder reinsurance transactions. Other jurisdictions also waive withholding taxes once a Tax Information Exchange Agreement (TIEA) has been agreed to with another jurisdiction.

Photo: Botond Horvath

7. Budget Finance/Spending Authority—Government Authority to Act

All countries have established some form of legal, regulatory and policy framework for the expenditure of public funds, including funds related to disaster risk management (and recovery). These frameworks are aimed at ensuring the efficient use of public funds and to prevent misuse. The design of spending authorities for a number of areas can have an impact on the operating environment for insurance companies and therefore the ability of the insurance market to contribute to risk management, as outlined below.

Compensation and financial assistance for disaster damages and losses

Many governments provide financial assistance to households, businesses (and sometimes sub-national governments) to support their recovery from disaster events. Such funding support can play a crucial role in providing early recovery assistance (often before insurance claims payments are made) and reducing the economic and social hardship caused by disaster events, especially among low-income and other vulnerable segments of the population.

However, larger amounts of financial support – and particularly compensation for specific damages and losses – can act as a substitute for insurance coverage and therefore reduce the demand/ willingness-to- pay for insurance coverage (as well as incentives for risk reduction investments). This impact can be minimized by not providing compensation for uninsured damage or losses that would normally be insurable or by providing any assistance without regard to insurance coverage (i.e., such that both insured and uninsured victims receive the same level of compensation). Providing clarity on the scope of available financial assistance and compensation is also important in order to avoid overestimates by consumers of the likely availability of such support.

Financial assistance can also play a critical role in reducing the impact of disasters on sub-national levels of government. However, compensation arrangements for sub-national governments need to be carefully designed in order to avoid creating disincentives for insurance or risk reduction.

Finally, government compensation and financial assistance could make an important contribution to reducing risk by allowing such assistance to improve resilience through restoration and reconstruction. For example, government financial assistance for affected homeowners could be directed towards the cost of “betterment” which insurance companies are usually unwilling/unable to pay. Similarly, compensation to sub-national levels of governments for the restoration of public assets should allow for expenses relating to betterment.

Estimation and reporting of contingent liabilities related to disaster risk

The government budgeting framework should require an assessment and estimation of contingent liabilities related to probable losses due to disaster events (i.e., the expected future cost to government contingent on the occurrence of a disaster event). A proper assessment of the expected cost of future disaster costs will allow governments to better manage those costs (including through the use of insurance and other risk transfer approaches) and should also eliminate the bias in cost-benefit analysis against investments in risk reduction that occurs when future probable losses are not assessed.

Payment of insurance premiums

Government spending authorities should allow for the payment of premiums and other types of payments (e.g., interest payments on a catastrophe bond) involved in the transfer of public disaster exposure to insurance and capital markets. This will include how to account for such payments and procedures to provide consistency and discipline in the funding premium or other risk transfer payments.

8. The Role of Insurance Regulators in Promoting Resilience

We have witnessed in the last decades how the protection gap for natural catastrophe events has been widening, at a time where these events have become more frequent and the economic and human consequences have become more extreme. Some local insurance regulators and supervisors may believe that this is a vicious circle that cannot be broken, and that although they would like to be part of the solution, it is viewed as a multi-faceted, complex problem requiring long-term planning and governmental and community commitment and is not necessarily a responsibility of insurance supervisors. Inevitably, regulators are also pulled into addressing short term priorities. The will to act is there, but sometimes the means or the resources to do so in the most effective way is lacking.

Insurance regulators and supervisors, however, are of utmost importance both ex-ante, in terms of establishing the right conditions for insurers to provide the proper coverage through the right channels, as well as ex-post, through their supervisory work and their ability to help coordinate the industry response. In addition, regulators have an important role to play in educating their governmental counterparts and consumers in how their domestic insurance market works and the resources available. And over the past several years there has been a dramatic and welcome evolution and expansion of the activities of insurance supervisors surrounding climate change and other natural disasters. This has been done through the actions of individual regulatory authorities and also through important regulatory groups such as the International Association of Insurance Supervisors ("IAIS"), the National Association of Insurance Commissioners ("NAIC") and the European Insurance and occupational Pensions Authority ("EIOPA").

As insurance regulators become more active in this role, there are important issues to be discussed about when and how they should engage and how this activity fits within their traditional role and (importantly) legal authority as supervisors of the financial condition and market conduct of actors in the insurance sector. These are important discussion to be had because it is clear that insurance supervisors are important to the resilience agenda and they have a critical seat at the table in discussing and driving solutions to greater resilience.

9. Conclusion

Insurance plays a critical role in enhancing the resilience of a country, a state, a city and individuals and businesses that are located there. The insurance sector can only operate however where there is a suitable legal, regulatory architecture in place with supporting government policies. Getting this architecture right is a complicated process. There is not a single perfect system—although there are certain critical elements that this paper attempts to identify and that need to operate in a coherent manner.

The process of evaluating and improving the legal, regulatory and policy environment in any country requires engagement from a wide array of policymakers and key public stakeholders. These stake holders include among others:

Public sector stakeholders

- Economic & Finance Ministries
- Insurance regulators
- Legislators
- Agriculture ministers/ departments
- Urban development and land use departments
- Disaster planning and response agencies
- Regional and National Development Banks
- National debt management agencies

Private sector stakeholders

- (Re)insurers
- Intermediaries
- Consumer representatives
- Banks and other financing/ lending institutions who rely on a robust insurance market to support their commercial activities.

The IDF urges all of these stakeholders to address areas where the legal, regulatory and policy environment for insurers can be enhanced. This is a classic win/win/ win situation. The IDF pledges its support in these efforts.

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