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# French Federation of Insurance Companies (FFSA) Remarks

## Paris, France

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Good morning. I thank Bernard Spitz, president of the FFSA, for the invitation to speak to you.

In 2006, as U.S. Secretary of the Interior, I had the honor of representing the United States at the commemoration of the 225th anniversary of the Battle of Yorktown where American finally won its freedom. Your government sent a French naval destroyer and the Minister of Defense. In that setting I repeated the words of Marquis de Lafayette that he wrote to his homeland of France when America won its independence.

I am very proud today to be with you in Lafayette's homeland of France and again repeat once again his words. He wrote:

L'humanite a gagne sa bataille. La liberte a maintenant un pays.

At that time our 2 continents were bound by the concept of liberty. And, today, in this setting, our 2 continents will again be bound by the concept of liberty. Our joint efforts are to insure that millions of families have:

- Liberty from being made destitute from a major catastrophe.
- Liberty from a family's dreams for their children being lost because someone dies too soon.
- Liberty from the individual losing one's dignity in their years as an elder.

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Today, may I paraphrase Marquis de Lafayette: L'humanite a gagne sa bataille. La liberte a maintenant une industrie.

One historic footnote I would add:

When General Washington won America's victory, Europe was extremely anxious to learn about the man who had accomplished something no one thought was possible. They particularly wanted to know what he looked like. But it was not possible for him to visit Europe. The method employed during that period of history was to have a likeness made by an artist.

Three Americans in Europe at the time, John Adams, Thomas Jefferson and Benjamin Franklin, went to the great sculpture artist, Jean Antoine Houdon, who was considered the Michelangelo of his day.

They stated that they fervently hoped that he would come to America and create a bust of General Washington that could then be replicated in Europe. Houdon was intrigued with the opportunity and said he would like to meet the famous general and create his likeness in marble.

But one factor stood in the way. King Louis XVI, recognizing that Houdon was a national treasure, issued a royal command that would have to be met before he would allow the great artist to cross the ocean. He demanded that the Americans had to obtain for Houdon a life insurance policy.

So the three Americans, one who would become the 2nd President of the United States, John Adams, and the one who would become the 3rd President of the United States, Thomas Jefferson, and Doctor Benjamin Franklin set about the task ... and did indeed secure for the Houdon a life insurance policy which satisfied the King of France and allowed the project to go forward.

So, I appreciate the connections between our peoples, and the vital role insurance plays in making this world a better place. I know I will appreciate even more in the coming years the great role insurers play worldwide.

I trust you know that I not only serve as President and CEO of the American Council of Life Insurers, but I was recently elected the new chairman of the Global Federation of Insurance Associations.

GFIA is involved in many issues, including global capital standards. The next panel will discuss this issue. GFIA issued a statement to the International Association of Insurance Supervisors supported by ACLI that global insurance capital standards should be appropriate for insurance and not be bank-centric. ACLI right now is working to get the U.S. Congress to reaffirm that any U.S. federal capital standard for our industry needs to be insurance-centric, not bank-centric.

GFIA believes any global capital standard must be flexible or adaptable enough to be workable within each jurisdiction, and, any global capital standard should not adversely impact the availability of insurance products.

Now, implementing this vision … that is the interesting part. Our efforts should be energized by the belief that insurers are absolutely vital for long-term planning of families, retirees, widows, orphans, the disabled, businesses and to vibrant local, national and global economies. Very few people and very few businesses would take significant economic risks without insurance.

Leaders around the world should more fully understand that life insurers and private pension providers are a major source of long term capital.

According to the International Monetary Fund’s April 2012 Global Financial Stability Report, the global insurance industry holds $6.4 trillion worth in U.S. dollars of worldwide government securities. That is equal to 15 percent of all outstanding government debt.

No wonder the global insurance industry is expected to contribute to the goal set at the G20 Summit in Brisbane late last month of boosting GDP by over $2 trillion over the next five years by investing in infrastructure.

If this goal is to be met, it is logical that regulatory reform should not hamper the insurance sector's natural ability to invest long term. Next month, when Turkey takes over the G20 presidency, we should seek support for and recognition of a regulatory structure that will incentivize long-term investment.

Penalizing long term investment is what concerns America about Solvency II.

In America, we view Solvency II as an important and significant European effort to address European issues involving capital standards.

But the use of market-consistent valuations and regulation from the group level included in Solvency II differs from 150 years of insurance regulation in America. There is concern about whether U.S. insurers would continue as long-term investors if governed under a similar system.

Did you realize that in the United States, life insurers are the Number 1 institutional investor in corporate bonds issued by U.S. companies? These bonds represent long-term investments that have an average maturity of over 18 years when purchased.

This helps business which needs long-term capital for innovation and job growth. These investments greatly help all of our economies. And, let me note that these investments are made by insurers of differing organizational structures, such as stock, mutual, foreign-owned, SIFI-designated companies. The point is that if U.S. based life insurers are going to continue to play this very important economic role, a level playing field is needed in all jurisdictions.

I am not suggesting Solvency II is wrong for Europe. I am suggesting that what works for one nation or group of nations, doesn't always work for all nations. We have to build on common objectives, respect each other's sovereignty and unique financial regulatory systems.

We can achieve the same goal – a safe and fair market that supports our country and citizens. But the path we take to get there can – and often will – differ.

As we meet here, and as you all know, we are faced with the development of three new standards:

- Basic Capital Requirement – BCR – which will be finalized this year for G-SIIs.
- Higher Loss Absorbency, HLA, which will be finalized in 2015 for G-SIIs.
- And, Insurance Capital Standard, ICS, which is slated to be finalized in 2016. My understanding is that IAIS could issue their ICS draft proposal in the next two weeks.

That's an aggressive timetable, especially when Solvency II took more than 14 years to develop. So, I ask: is it logical to assume a global capital standard can be developed by 2016?

If not, is there a way we can take a thoughtful, incremental approach to creating a global capital standard supported by all?

American insurers want to work with their friends in Europe to make sure that actions taken by the IAIS accommodate local regimes. None of us should lose sight of our overriding mission: to help our citizens … families, retirees, businesses, and in turn, this helps our governments. The more that we do, the less our governments will have to do for their citizens.

Nor should we lose sight of the global aging crisis before us. People today are living longer than people did yesterday. The need for financial planning help and the products that we provide that promote independence and dignity are more important than ever.

The Nobel Laureate Robert Fogel predicts that among those people aged 30 and younger, about half of them will live past the age of 100. And, there's a gerontologist who believes that the first person who will live to 150 has already been born.

There are key questions that need to be addressed. For example:

- Would moving quickly on a global capital standard hurt insurers' ability to support long-term infrastructure?
- Would it hurt our economies?
- Would it hurt our people, by limiting the number of products available to help retirement security?

If the answer is yes to any one of these questions, in America we believe that regulators and industry alike should hit the pause button. It is more important to get this done right, than to get it done quickly.

Our belief in "getting it right" helps explain why there needs to be a platform that would allow us to make significant and positive contributions. So, let me offer some final questions to help stimulate the upcoming panel discussion:

- Are we sufficiently exerting our responsibility, as representatives of the insurance sector in our deliberations with global standard setters? Are we presenting ourselves as a solution to problems?
- With all the emphasis on capital standards, are regulators, insurers and others losing focus on the absolutely vital role we can play in addressing a growing world crisis … the aging crisis?

In conclusion, I would like to congratulate a member of the next panel, my friend Tom Leonardi who, as the current head of the Connecticut Insurance Department, has worked tirelessly in a period of significant change in the industry.

I also recognize Sergio Balbinot, who represents Insurance Europe, a fellow GFIA member. Sergio, I look forward to working with you. I also welcome to the panel: Sandrine Lemery, First Deputy Secretary General – ACPR (Acronym for the French Financial Regulator), Steve Ryan, Deputy Head of Unit, Insurance and Pensions – European Commission, and the panel moderator, Pierre Michel, Director General of the FFSA.

Before, I quoted from a great citizen of France. Now, I'd like to quote from a great man from Great Britain. Winston Churchill: "If I had my way, I would write the word 'insure' upon the door of every cottage … because I am convinced, for sacrifices so small, families and estates can be protected against catastrophes which would otherwise smash them up forever."

I ask: are we doing everything we can to affirm "insurer" over the doorways of people, because, we can help them. Thank you.