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ECIROA and insurers join forces to solve global programme 'compliance trap'

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The European Captive Insurance and Reinsurance Owners' Association (ECIROA) and leading insurers have finally joined forces to lobby the International Association of Insurance Supervisors (IAIS) to improve global programme regulations and open the borders of non-admitted countries to excess covers.


Günter Dröse, Chairman of ECIROA and head of consulting firm Dröse & Partner

The lobbying is led by ECIROA and appears to have the support of major global progamme carriers. It aims to secure a workshop at the IAIS to discuss the acceptance of excess lines, such as DIC/DIL coverages, where there is locally issued basic cover in place.

Günter Dröse, Chairman of ECIROA and head of consulting firm Dröse & Partner, told Commercial Risk Europe that his association has sent out letters to all major insurers leading global programmes, asking them to support the campaign.

Mr Dröse said ECIROA has already received a number of responses, with some insurers fully backing its request for support and others calling for a meeting to receive more detailed information. Importantly, ECIROA has not received one negative reaction from insurers, said Mr Dröse.

The first phase of ECIROA's plan is to gain the support and commitment of insurers to the process. The second phase will be to get the support of local supervisors for a workshop at the IAIS.

The workshop will then develop clear recommendations to IAIS' membership on how to increase compliance in global insurance programmes for excess covers—in an attempt to remedy what ECIROA calls the 'compliance trap'. The final phase will be to gain the acceptance of the IAIS for the recommendations of the workshop.

As it stands, there are at least two insurance supervisors willing to help ECIROA request a workshop at the IAIS. ECIROA already has observer status at the IAIS and Mr Dröse is optimistic about the lobbying process: "ECIROA is sitting in the driver's seat—we are no longer just talking, now we are active."

One issue that requires attention is the problem that some supervisors may not understand the principles behind excess covers such as DIC/DIL. Mr Dröse says that some definitely do, while others are, as he puts it, 'either not informed or hardliners'. "Once we explain the facts, figures and details, and they are able to give up the 'silo thinking', we hope they will understand," he said.

But he stressed that ECIROA does not want to play the role of a teacher. "I would describe the effort as a joint exercise to convey a better understanding of the actual situation which may not have been considered in its entirety by a lot of supervisors and countries," explained Mr Dröse.

He said that first the IAIS workshop needs to be established. "Then we have the opportunity to present and discuss all the changes requested by ECIROA. After that we can prepare, together with IAIS members, a precise recommendation as to which changes we expect," said Mr Dröse.

The workshop would come up with a final 'Article of the IAIS ICS (International Capital Standards) principles', which could then be handed over to the secretariat and assembly of supervisors for approval. He added that the IAIS may then request changes to the principles, but noted that this is a similar consultation process to all law and regulatory procedures.

ECIROA has been raising concerns about non-admitted excess covers and other global regulatory issues for a few years, but there has been little support from brokers, most insurers and risk management associations. "We have presented and discussed the topic for some years, and we have invited individuals, companies and associations to join us in such a process, but obviously their priorities lie in other problematic areas of concern," said Mr Dröse.

He pointed out that there has been a rather inadequate reaction to this problem during the last couple of years. As a result, all market participants have suffered, he said. But Mr Dröse emphasised ECIROA's thanks to those insurers that have picked up the topic and taken preparatory action at the IAIS to explain the situation and highlight future options.

"We are still inviting colleagues to join this 'campaign'. We are fixed on the target and not on rivalry or competition. We know that we have to focus on a reasonable, principled solution that is very flexible," Mr Dröse told Commercial Risk Europe. "Flexible en-ough to cover, and to be applied in, a huge number of different situations in a large number of countries that still either close their borders for insurance cover from foreign countries or where we find other hurdles that could be reduced or removed."

Nearly three years ago, ECIROA began trying to explain to the IAIS why captive owners and others wanted to have international programme rules changed. It stressed that they were only arguing to open the borders for excess lines, such as DIC/DIL coverages, where there is a local policy in existence. Lack of support from the risk transfer industry has held back the process, but finally it looks as if the lobbying process is beginning in earnest.