INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

IAIS Aggregate Report on Phase 2 Implementation Assessment of the G-SII Policy Measures (Liquidity Management Plan)

April 2019

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Executive summary

The IAIS recently conducted the second phase assessment of the implementation of supervisory policy measures for Global Systemically Important Insurers (G-SII) by group-wide supervisors (GWSs).[1]

This phase is a deeper dive into the practices surrounding Liquidity Management and Planning (LMP) requirements of the G-SII policy measures and practices among GWSs. The assessment received responses from eight participating GWSs (China-CIRC, France-ACPR, Germany-BaFin, Netherlands-DNB, UK-PRA, US-FRB, US/NJ-NJDOBI, US/NY-NYSDFS), who supervise the nine groups identified as G-SIIs in 2016.

In addition to responses from the eight GWSs, eight key host supervisors of G-SIIs and other supervisors in the well-developed insurance markets (Australia, Canada, Chile, Hong Kong, Japan, Korea, Mexico and Singapore) voluntarily participated in the Phase 2 assessment. These host supervisors responded to a subset of questions from the questionnaire to get a broader view on discussions between home and host supervisors on liquidity management for G-SIIs.

All GWSs reported that they assess an insurer's liquidity risk management practices, and reported that liquidity risk management is part of the overall risk management system G-SIIs are expected to implement. Furthermore, six out of the eight GWSs reported that they have, or intend to have, additional guidance on liquidity risk management practices developed and implemented within the next year, while the other two GWSs reported that they have no specific expectations or guidance planned.

The responding host supervisors noted that they too have the power to assess liquidity risks within the general supervisory framework; however, many currently do not have specific supervisory expectations or guidance for the assessment of the liquidity risks for G-SIIs.

All GWSs reported that insurers are required to run liquidity analyses and that they apply proportionality to the analysis of insurers' liquidity risks based on the firm's nature, scale and complexity. In addition to a group-level assessment of liquidity risks, all GWSs reported that they also assess liquidity risks at a sub-group or individual entity level and almost all GWSs utilise a practical approach to determine whether or not they assess at a sub-group or individual-entity level.

A majority of the key host supervisors reported applying proportionality to the analysis of insurers' liquidity risks based on the firm's nature, scale and complexity and a few key host supervisors reported conducting liquidity risk assessment at a sub-group or individual-entity level in addition to a group level assessment.

[1] A description of G-SII policy measures (July 2013) is available at https://www.iaisweb.org/page/supervisory-material/financial-stability-and-macroprudential-policy-and-surveillance/file/34256/final-g-siis-policy-measures-18-july-2013. The G-SII policy measures were updated in February 2017 to reflect the postponement of the implementation of the Higher Loss Absorbency (HLA) standard so that it can be based on the Insurance Capital Standard (ICS) Version 2.0 – see http://www.iaisweb.org/page/news/press-releases//file/65229/iais-press-release-systemic-risk-assessment-workplan.

All GWSs reported that G-SIIs must provide a copy of their Own Risk and Solvency Assessment (ORSA) as part of the ongoing supervision of liquidity risks. Also, all GWSs reported that they consider Asset Liability Management (ALM) in addressing potential future liquidity demands including a liquidity gap analysis when assessing the liquidity risk of a G-SII.

All GWSs reported that the G-SII's liquidity risk is assessed within the firm's global risk appetite profile and business strategy, which is based upon supervisory judgment and understanding of the company. Moreover, all GWSs reported that they assess the G-SII's projections of liquidity sources and needs, evaluating different types of liabilities and the liquidity implications of material capital actions.

To ensure that a G-SII's liquidity risk management is effective, GWSs conduct periodic deep dives, including risk-reporting, on-site inspections, meeting with the management/board of the insurer, regular supervisory reporting, LMP, ORSA, and internal and external audit reports.

With regards to gap analysis, all GWSs reported that G-SIIs are required to conduct these and be aware of their liquidity needs and resources over an appropriate time horizon for an ongoing basis. Regarding liquidity stress testing, all GWSs reported that GSIIs are expected to monitor the impacts of multiple severe yet plausible scenarios and that they share those results on a frequent basis.

In relation to information sharing among supervisors, six GWSs reported that they share the LMP within the Crisis Management Group (CMG). One GWS provides high-level liquidity information to other relevant supervisory authorities, upon request, in accordance with governing confidentiality agreements. One GWS noted that they do not require a formal LMP document, therefore would not be able to share a specific document with the CMG.

The Phase 2 assessment found that key host supervisors can share liquidity risk profiles or policies in relevant supervisory colleges if liquidity risks are assessed as material or relevant to the risk profile of the insurance group. However, to date, key host supervisors have not shared the liquidity risk profiles within a supervisory college, as they are not the GWSs for G-SIIs.

Acronyms

ACPR	Autorité de contrôle prudentiel et de résolution (French Prudential Supervision and Resolution Authority)
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority)
CIRC	China Insurance Regulatory Commission
CMG	Crisis Management Group
COAG	Cooperation Agreement
DNB	De Nederlandsche Bank (Dutch Central Bank)
D-SII	Domestic Systemically Important Insurer
ERM	Enterprise Risk Management
FIO	Federal Insurance Office
FRB	Federal Reserve Board of Governors and Federal Reserve System
FSB	Financial Stability Board
G20	Group of Twenty Countries
G-SIFI	Global Systemically Important Financial Institution
G-SII	Global Systemically Important Insurer
GWS	Group-wide Supervisor
HLA	Higher Loss Absorbency or Higher Loss Absorption capacity
IA	Insurance Authority
IAIS	International Association of Insurance Supervisors
IAC	Implementation Assessment Committee
ICP	Insurance Core Principle
ICS	Insurance Capital Standard
LMP	Liquidity Management and Planning
NJDOBI	New Jersey Department of Banking and Insurance
NYSDFS	New York State Department of Financial Services
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority
SAPR	Self-Assessment and Peer Review
SRMP	Systemic Risk Management Plan

Introduction

1. In January 2016, the International Association of Insurance Supervisors (IAIS) adopted a three-phased approach for assessing the implementation of the supervisory policy measures for Global Systemically Important Insurers (G-SII) by group-wide supervisors (GWSs).[2] Under the phased approach, the intensity of assessments will increase over time:

    - Phase 1: Initiates an annual self-assessment by GWSs on progress in the development of supervisory colleges and implementation of G-SII policy measures in force;
    - Phase 2: Builds on the Phase 1 annual self-assessment with more intensive reviews on the consistency of the implementation of G-SII policy measures; and
    - Phase 3: Assesses consistency in the outcomes of the implementation of the G-SII policy measures.

2. In line with the phased approach, the IAIS launched an initial self-assessment in 2017. The report, published on 14 February 2018, captured the findings from this initial assessment and established the status of implementation of G-SII policy measures and supervisory colleges.[3]

3. The overall conclusion was that the implementation status appears positive. Almost all GWSs have established supervisory colleges for G-SIIs and the key functions described in Insurance Core Principle (ICP) 25 (Supervisory Cooperation and Coordination) are widely performed. Also, the required elements of the Systemic Risk Management Plan (SRMP) and Liquidity Management and Planning (LMP) of G-SII policy measures generally are established through supervisory communication or existing regulatory tools. However, the Expert Team (ET) recognised that further phases of assessment were necessary to evaluate the consistency of implementation of the policy measures.

4. In February 2018, the ExCo approved the work plan for the second phase assessment of implementation of enhanced policy measures. Consequently, the ET launched a deeper dive into the liquidity management requirements by the GWSs covered by the Phase 1 assessment. The purpose of this deep dive was to assess how the requirements within the LMP policy measures have been implemented by the GWSs.

5. In order to generate a better understanding of the responses from the GWSs, the ET conducting the assessment wanted to also engage with host supervisors in order to better understand how these enhanced policy measurers compare to the requirements in the host jurisdictions and other well-developed insurance markets. The ET believed that

[2] A description of G-SII policy measures (July 2013) is available at https://www.iaisweb.org/page/supervisory-material/financial-stability-and-macroprudential-policy-and-surveillance/file/34256/final-g-siis-policy-measures-18-july-2013. The G-SII policy measures were updated in February 2017 to reflect the postponement of the implementation of the Higher Loss Absorbency (HLA) standard so that it can be based on the Insurance Capital Standard (ICS) Version 2.0 – see http://www.iaisweb.org/page/news/press-releases//file/65229/iais-press-release-systemic-risk-assessment-workplan.

[3] The phase 1 report is available at https://www.iaisweb.org/page/supervisory-material/implementation-and-capacity-building/assessments//file/71951/aggregate-report-on-phase-1-assessment-of-g-sii-policy-measures-and-supervisory-colleges

answers from these jurisdictions could provide valuable insights and would support the assessment of the home supervisor for G-SIIs.

6. The ET conducting the 2018 assessment consisted of Ekrem Sarper (USA, NAIC), Verena Meckel and Stephanie Siering (Germany, BaFin), David Kirkby (UK, PRA), Andrew Shaw (USA, FIO) and Jay Muska (USA, FRB). Their work was supported by Conor Donaldson, Carole Lin, Daisuke Hirose and Rogier Derksen from the IAIS Secretariat.

7. The ET would like to acknowledge the support received from the members of the Macroprudential Committee as part of the decision-making process of this assessment.

1 Scope and Methodology for Phase 2

8. The IAIS conducted the Phase 2 assessment with the participation of eight GWSs. These GWSs supervise nine G-SIIs, as identified by the FSB in November 2016.[4] The assessment was based on responses submitted by the GWSs to a questionnaire that was developed by the ET (see Annex). The Phase 2 assessment is the deeper dive into the so-called "Liquidity Management Plans (LMP)" requirements and to understand LMP practices among GWSs.

9. LMP requirements are described in the following documents:

   a. Section 3.3.3 Enhanced liquidity planning and management in Global Systemically Important Insurers: Policy Measures, 18 July 2013 (G-SII Policy Measures document); and

   b. Guidance on Liquidity Management and Planning, 22 October 2014 (LMP guidance paper)

Table 1: Participation GWS G-SIIs identified in 2016

Jurisdiction and GWS		G-SII identified in 2016
China	CIRC	Ping An Insurance (Group) Company of China, Ltd.
France	ACPR	Axa S.A.
Germany	BaFin	Allianz SE
Netherlands	DNB	Aegon N.V.
UK	PRA	Aviva plc, Prudential plc
US	FRB	Prudential Financial, Inc.
US - NJ	NJDOBI	Prudential Financial, Inc.
US - NY	NYSDFS	American International Group, Inc., MetLife, Inc.

10. In addition to responses from the eight GWSs, eight key host supervisors of G-SIIs and other supervisors in the well-developed insurance markets voluntarily participated in the Phase 2 assessment. These host supervisors responded to a subset of questions from the questionnaire to get a broader view on discussions between home and host supervisors on liquidity management for G-SIIs.

[4] See http://www.fsb.org/2016/11/fsb-publishes-2016-g-sii-list/

11. The IAIS received the responses from the following supervisors by the end of August 2018:

Table 2: Participation other Supervisors

Jurisdiction and Supervisor	
Australia	APRA
Canada	OSFI
Chile	CMF
Hong Kong	IA
Japan	JFSA
Korea	FSS
Mexico	CNSF
Singapore	MAS

12. The questionnaire consisted of a total of 26 questions. Responses to questions helped to inform the IAIS work on policy measures related to the holistic framework for systemic risk in the insurance sector.
13. When sending the questionnaire to the host supervisors, the ET emphasised that they could provide valuable insights through the responses to questions 1, 3, 4, 5, 6, 7, 25 and 26.
14. Similar to Phase 1, this assessment is a self-assessment exercise and the ET relied upon the responses provided by the participants. There was no on-site assessment to verify the responses provided by the GWSs.
15. For some US-domiciled G-SIIs, there were multiple supervisors involved. Each GWS was requested to submit an individual response. Results are presented by GWSs, rather than by jurisdictions.

2 Key Findings – G-SII Group Wide Supervisors (GWSs)

2.1 General questions

2.1.1 Findings

17. All GWSs of the firms identified by the FSB in 2016 as G-SIIs – those firms subject to G-SII policy measures – have legal powers to assess liquidity risk. Some also have legal power to require changes in the G-SII's recovery plan, including liquidity measures. Due to the unique nature of the GWSs and their corresponding jurisdictions, some of the legal powers to assess liquidity risk are: (1) jurisdiction-specific; (2) shared by multiple jurisdictions and are G-SII and D-SII specific (Solvency II and NAIC's ORSA Guidance Manual); or (3) apply to a broader scope of insurers.

18. All GWSs of G-SIIs reported having supervisory guidance or expectations against which the liquidity risks of G-SIIs are assessed. GWSs of G-SIIs utilise non-jurisdiction specific guidance (typically the FSB Guidance on Liquidity Management and Planning or NAIC Financial Analysis Handbook), internal guidance, or a combination of the two.

19. Most GWSs reported they do not specifically differentiate their supervisory guidance or expectations between G-SIIs and other insurers except for the G-SII policy measures requirements. However, one GWSs reported that GSIIs are subject to significantly more stringent liquidity requirements than other insurers.

20. Six of the eight GWSs disclosed plans to supplement or to revise existing liquidity requirements in their jurisdiction. Some of these plans contain items such as: recovery planning, stress testing, additional liquidity risk management expectations, and liquidity ratios.

21. All GWSs reported that insurers (excluding property & casualty lines for one GWS) are required to run liquidity analyses. This requirement is related to both formal regulatory requirements and regular supervision (where liquidity risk is material (eg. mismatch maturities, options to liquidate policies and large derivatives books)) as part of the existing supervisory framework.

22. Seven of the eight GWSs apply proportionality to the analysis of insurers' liquidity risks based on the nature, scale and complexity of the insurer's business (eg. book of business, hedging arrangements). Almost all GWSs reported that in practice, aspects of liquidity risk analysis is similar for G-SIIs and other insurers. However, based on the results of the analysis, GWSs often apply more intensive supervisory approaches, including more frequent reviews, more intensive supervisory monitoring of liquidity management and require additional information as necessary. One GWS utilises prescribed stress test scenarios for the analysis of insurers' liquidity risks depending on industry conditions.

23. In addition to a group level assessment of liquidity risks, all GWSs also assess liquidity risks at a sub-group or individual entity level.

24. Nearly all GWSs disclosed practical approaches for determining when to assess the liquidity risk of sub-groups or specific entities. Examples of factors were: intragroup transactions, derivatives, liquidity of assets and liabilities, funding topics, liquidity policy and monitoring, stress testing and overall risk management.

25. One GWS referred to a more formal approach in their supervisory practice whereby liquidity risk assessment at the individual entity level is being performed for all insurers routinely as part of the quarterly and annual desk audits of the financial statements submitted pursuant to the regular requirements.

2.1.2 Sub-conclusion

26. All GWSs reported that they have the legal powers to evaluate and monitor liquidity management and planning on a group-wide basis in addition to a framework for assessing liquidity risks at a sub-group or specific entity level. In practice, GWSs apply supervisory judgement or expectations to implement LMP requirements with non-jurisdiction specific guidance or internal guidance within GWSs. In general, there is not a specific distinction in the supervisory guidance or expectations for G-SIIs that do not apply to other insurers, other than the requirements of the G-SII policy measures.

27. Almost all GWSs reported that they apply proportionality to the analysis of insurers' liquidity risks, allowing the G-SIIs to address their effective liquidity management and planning in various ways and accounting for differences in scale, nature and complexity of the insurer and its business mix. Moreover, almost all GWSs reported that when applying the proportionality principle, aspects of the liquidity risk analysis are not largely differentiated between G-SIIs and other insurers.

2.2 Liquidity Management and Planning for G-SIIs

2.2.1 Liquidity Assessment on G-SIIs

28. All GWSs reported that the G-SIIs provide them with an ORSA and the internal liquidity management plan. G-SIIs are required to provide their internal liquidity risk assessment frameworks including details of their risk appetites, policies, management information, controls and governance, contingency funding, stress tests, resolution & recovery plans as well as sensitivity tests. Furthermore, G-SIIs provide Liquidity Risk Management Plans (LRMP), which are updated annually.
29. One GWS reported that they also receive information from external sources, such as credit rating agencies.
30. All GWSs reported that when assessing the liquidity risk of a G-SII they consider the following:
    a. Asset Liability Management (ALM);
    b. Potential future liquidity demands; and
    c. Assessment of gap analysis and liquidity risk management, subject to clearly documented governance requirements.
31. However, one GWS reported that the gap analysis and liquidity risk management are assessed without a regulatory liquidity stress testing framework with explicit governance requirements.
32. Another GWS reported that they assess the liquidity risk in relation to intra-group transactions, especially for subgroup and group-entities based on published requirements, including governance.
33. All GWSs reported that they evaluate the systemic risk from insurance product features and the key channels of interconnectedness, if such systemic risk has been identified. The reported examples of aspects the GWSs focused on include:
    a. Liquidity position of the insurer and how it effects the undertaking;
    b. Liquidity expectations against the changes of product types and cash flow projection and investment fund planning; and
    c. Counter party credit risk created by the concentration of unsecured reinsurance and ceded recoverable due from any one reinsurer.

2.2.2 Policy for the day-to-day and long-term management of liquidity risk

34. All GWSs reported that the G-SII liquidity risk is assessed within the global risk appetite profile and the business strategy. Relevant indicators depend on the characteristics and type of business of the entity.
35. All GWSs reported that assessment of these indicators is based upon supervisory judgment and understanding of the company, its past performance and expectations for changes based upon legal entity, business lines, products and/or activities.

2.2.3 Liquidity sources and liquidity needs

36. All GWSs reported that they assess the G-SII's projections of liquidity sources and needs. Four GWSs also reported that for stressed situations, liquidity sources and needs are projected up to one year. Another GWS reported that they include this analysis as part of the reasonability review of the ORSA summary report (eg. whether the insurer appropriately carved out non-liquid asset types from liquidity sources).

37. All GWSs reported that multiple types of assets are considered towards a G-SII's liquidity sources. The following table illustrates some examples as reported by the GWSs:

Table 3: Types of assets

Type of asset:	Considered by GWS:
Cash	6
High rated fixed income securities	1
(Large cap) equity	1
Money market assets (bank deposits, T-bills, CP, repo)	6
Reinsurance assets	1
Receivables and pre-payments	2
Unaffiliated bonds	2

38. Two GWSs mentioned that the nature, scale and complexity of the insurer increases would be taken into account on consideration of being liquid assets towards liquidity sources (eg. excluding restricted assets and including certain derivatives).

39. All GWSs reported that multiple types of liabilities are considered towards a G-SII's liquidity needs. Some GWSs reported examples of liabilities are varying from policyholders' cash flows (claims, lapses and surrenders), margin calls and payments related to derivatives and repo agreements. Others reported that (usual) cash-outflows including non-elective and elective benefits, expenses, taxes and dividends are considered within a G-SII's liquidity needs.

40. All GWSs reported they assess the liquidity implications of material capital actions. Any material capital actions are considered within the liquidity assessment that is provided by the G-SII, including dividends, capital repatriation and buy-backs. One GWS referred in particular to their regular supervision of the G-SII, including reviewing their ORSA and ALM.

41. Almost all GWSs reported that they have powers to impose requirements to restrict payment of dividends on the basis of liquidity risk, especially where a firm is failing or likely to fail threshold conditions or it is desirable to advance the GWS's objectives.

2.2.4 Management of liquidity risk

42. All GWSs reported on how they ensure that a G-SII's management of liquidity risk is effective, including conducting liquidity deep dives on a periodic basis. The following table

shows some examples provided by GWSs in general terms (not specified for group or entity level):

Example of ensuring G-SIIs liquidity risk management
Risk-reporting
On-site inspections
Meetings with Management/Board of insurer
Regular supervisory reporting
LRMP
ORSA
Internal and external audit reports

43. In general, GWSs reported that they have regular meetings with relevant senior contacts within the insurers to ensure adequate liquidity management. Furthermore, reports on this topic are analysed and on-site investigations are conducted.

2.2.5 Liquidity gap analysis and liquidity stress testing

44. All GWSs reported that they require G-SIIs to conduct a gap analysis. They expect G-SIIs to forecast their liquidity needs and resources over an appropriate time horizon on an ongoing basis. Generally, the time-horizon is yearly, but some GWSs reported requiring a more frequent reporting cycle or whenever the risk profile is changing.

45. One GWS reported that there is no "formal" requirement to conduct a gap analysis. If a G-SII is not performing a gap-analysis, it would be encouraged to do so.

46. All GWSs reported that they expect insurers to be aware of their liquidity needs and resources over an appropriate time horizon and on an on-going basis. Available liquidity may include liquidity held centrally by a group.

47. Two GWSs reported that as there are regulatory restrictions on disbursements of capital from legal entity insurers, that gap-assessments are performed at the legal entity insurer level without assumption of asset transfers between affiliated insurers. From an operational view, each legal entity insurer is expected to maintain adequate liquidity sources to cover its needs. Discussions would be held at the group level as needed if material gaps are identified.

48. Almost all GWSs reported that they consider the transferability of assets across the group. Although GWSs reported not having strict requirements, available liquidity may include liquidity held centrally by a group, but firms must demonstrate that it would be genuinely available when needed and can be transferred when required.

49. All GWSs reported that they expect severe but plausible scenarios to be considered in some way in stress-testing for the main drivers of liquidity risk. Three GWSs reported having formal requirements; of these two referred to life insurers only.

50. One GWS explicitly referred to stress testing of the recovery plan in which scenarios must at least breach the limits that would activate the recovery triggers set by the insurer in its recovery plan.

51. In their expectations on types and severities of scenarios to stress, two GWSs referred to scenarios of high interest rate spikes, low interest rates for a long period of time and extraordinary claims experience. Additionally, most insurers in these two jurisdictions include some sort of reproduction of the 2008 financial crisis characteristics.

52. All GWSs reported that for stress-testing the expectations of scenarios differ based on the business models, legal entity, product types or other characteristics.

53. All GWSs have expectations of different time horizons for liquidity sources and needs. Assets may need to be called upon to satisfy obligations under different stress scenarios or tests, and the liquidity of those assets over different time horizons must be measured to determine whether an insurer will be able to meet the obligations in a timely manner. One GWS reported not having strict rules regarding frequency of stress testing. Others have expectations which vary from day-to-day basis, weekly, monthly and annually.

54. In general, all GWSs evaluate the credibility of management actions that could impact the liquidity position of the insurer. To verify the different outcomes, additional reports can be required, on-site inspections can be initiated and/or interactions with management can be organised. Most GWSs reported that the management actions included in the assumptions behind the liquidity positions as well as in the remedies for any gaps are also assessed for their effect on liquidity.

55. All GWS frequently receive reports on the liquidity stress testing results. Four GWSs receive quarterly reports and four GWS require the G-SII to update the ORSA, LRMP and (if applicable) recovery plans on a yearly basis.

2.2.6 Reporting and Supervisory College

56. Six GWSs reported that they share the LMP within the CMG, which provides a summary of its work to the Supervisory College (if one exists – one GWS mentioned – that a Supervisory College has not yet been established). One GWS provides high level liquidity information to other relevant supervisory authorities, upon request, in accordance with governing confidentiality agreements. One GWS does not require a formal LMP document.

57. No GWS reported that the LMP itself was shared within the Supervisory College. However, one GWS reported that information on the following liquidity practices is shared in the supervisory colleges:

    a. Policy changes, stress test results and liquidity scenario, part of crisis management planning and information of the ORSA report.

    b. CMG organisation, summary of Cooperation Agreement (COAG) of the CMG and outcome of the CMG discussion.

    c. Presentation of LMP, SRMP, Recovery plan, resolution plan.

2.2.7 Sub-conclusion

58. G-SIIs provide a wide range of information sources on liquidity risks, such as internal plans and ORSAs, which enable GWSs to evaluate and monitor liquidity management and planning on a group-wide basis. The GWS's assessment includes ALM, potential future liquidity demands and written strategies and policies for regular gap analysis and liquidity risk management, subject to clearly documented governance requirements.

59. All GWSs evaluate the potential systemic risk from insurance product features and the key channels of interconnectedness.

60. All GWSs assess the G-SII's risk appetite and business strategies, including quantitative targets and qualitative objectives, while assessment for relevant indicators are based on supervisory judgement and the business profile of the firm.

61. All GWSs assess the G-SII's liquidity sources and liquidity needs from both the asset and liability side. In practice, some GWSs conduct analysis on these elements as a part of the review on ORSA report.

62. All GWSs closely monitor the effectiveness of the G-SII's management of liquidity risk on an on-going basis through a wide range of supervisory means, including regular meetings with the G-SII's Board to ensure liquidity management.

63. Almost all GWSs have frameworks to require G-SIIs to conduct a liquidity gap analysis over an appropriate time horizon on a regular basis. Examples of how GWSs analyse material liquidity gaps within the G-SIIs (eg. within individual entities or sub-group of entities) show that GWSs monitor and restrict material capital actions, such as dividends and capital repatriations, at the legal entity level and also consider the transferability of assets within the group.

64. Key findings show that GWSs have supervisory expectations on types and severities of scenarios for stress-testing on the liquidity risks which are differentiated by the G-SII's business features.

65. While most GWSs share the LMP within the CMG and provide a summary of the LMP with Supervisory Colleges, one GWS does not share it in the Supervisory College.

3 Key Findings – Host Supervisors

66. A subset of questions[5] from the questionnaire was sent to key host supervisors of G-SIIs and other supervisors in the well-developed insurance markets to get a broader view on discussions between home and host supervisors on liquidity management for G-SIIs.

67. Eight host jurisdictions submitted responses to the questionnaire.

Table 4: Key host supervisors

Key host supervisors of G-SIIs and other well-developed insurance markets	
Australia	Japan
Canada	Korea
Chile	Singapore
Hong Kong	Mexico

3.1 General questions

68. All participating host supervisors reported having the necessary legal power to assess liquidity risks within the regular supervisory framework. One host supervisor noted they require an ORSA be developed by all insurers as part of their liquidity risk assessment at both the legal entity level as well as at the group level. Also, they noted that insurers have to identify and address all reasonably foreseeable and relevant material risks under an Enterprise Risk Management (ERM) framework.

69. All host supervisors reported that they do not have a specific supervisory guidance and expectations on liquidity risks for the G-SIIs.

70. In general, most host supervisors do not have an explicit requirement for insurers to run liquidity analysis. One host supervisor reported that as part of the annual industry-wide stress test they conduct, a liquidity stress test is conducted on significant life insurers.

71. Six out of eight host supervisors apply proportionality when conducting the analysis of insurers' liquidity risks based on their nature, scale and complexity.

72. Most host supervisors answered that liquidity risk assessment at a sub-group or individual entity level is conducted in addition to a group level assessment. One supervisor commented that intra-group transactions and exposures are also closely monitored.

3.2 Reporting and Supervisory Colleges

73. In general, host supervisors may share liquidity risk profiles or policies in relevant supervisory colleges if liquidity risks are assessed as material or relevant to the risk profile in the insurance group. However, no responding host supervisors reported that they shared the LMP within a supervisory college.

[5] The key host supervisors and jurisdictions in the well-developed insurance market have been asked to respond specifically to questions number 1, 3, 4, 5, 6, 7, 25 and 26 in “General questions” and “Reporting and Supervisory College" of the questionnaire.

3.3 Sub-conclusion

74. All host supervisors reported that they have legal power to assess liquidity risks for insurers. However, no specific supervisory guidance or expectations for G-SIIs to assess their liquidity risks were reported, including conducting liquidity gap analyses.

75. Most host supervisors have experience or a willingness to share assessments of liquidity risk profiles or policies within supervisory colleges if material or relevant liquidity risks are identified in their jurisdiction.

Annex 1: Questionnaire

18 May 2018

2018 Questionnaire for assessing implementation of Liquidity Management and Planning

Introduction

As a group-wide supervisor (GWS) who supervises an insurer identified as a Global Systemically Important Insurer (G-SII) by the Financial Stability Board (FSB) in 2016[6], you responded in 2017 to Phase 1 of the IAIS multi-year plan for assessing the implementation of the supervisory policy measures on Supervisory Colleges, Systemic Risk Management Plans (SRMP) and Liquidity Management and Planning (LMP). The Aggregate Report of Phase 1 assessment was published in February 2018.[7]

Followed by the results from the Phase 1 assessment, the objective of the Phase 2 assessment is to conduct a deeper dive on LMP practices among GWS.

In this questionnaire, “G-SII” refers only to the insurers identified by the FSB in 2016. Some questions, specifically question number 4, 5, 6 and 7, in this questionnaire relate to the supervision of insurers in a broader way than only G-SIIs. This is to inform on-going work to the development of the activities-based approach to the mitigation of systemic risk in the insurance sector.

Scope of the questionnaire

This questionnaire covers the LMP requirements as described in the following documents;

- *Section 3.3.3 Enhanced liquidity planning and management in Global Systemically Important Insurers: Policy Measures*, 18 July 2013 (G-SII Policy Measures document)[8]; and
- *Guidance on Liquidity Management and Planning*, 22 October 2014 (LMP guidance paper)[9]

Information for respondents

Please ensure that all of your responses are finalised before submitting the completed questionnaire to the IAIS. In the cases where multiple authorities are involved in insurance supervision within one jurisdiction, more than one authority can submit a response.

[6] G-SII list published by the FSB in 2016: http://www.fsb.org/2016/11/fsb-publishes-2016-g-sii-list/

[7] Aggregate Report on Phase 1 Assessment of G-SII Policy Measures and Supervisory Colleges (14 February 2018) https://www.iaisweb.org/file/71951/aggregate-report-on-phase-1-assessment-of-g-sii-policy-measures-and-supervisory-colleges

[8] Global Systemically Important Insurers: Policy Measures (18 July 2013) https://www.iaisweb.org/file/34256/final-g-siis-policy-measures-18-july-2013. The document was updated in February 2017 to reflect the postponement of the implementation of the Higher Loss Absorbency (HLA) standards so that it can be based on the Insurance Capital Standard (ICS) Version 2.0 – see https://www.iaisweb.org/file/65229/iais-press-release-systemic-risk-assessment-workplan.

[9] Guidance on Liquidity Management and Planning (22 October 2014) https://www.iaisweb.org/file/47800/liquidity-guidance-final.

In order to conduct a deeper dive exercise into LMP implementation, respondents are encouraged to provide detailed responses to the open ended questions and provide links or attach any supporting or reference documents (preferably in English or translated/summarised in English).

The Phase 2 assessment will be primarily based on the responses to this questionnaire. However the ET may follow up with the GWS, either to gain further information or to clarify the responses as necessary.

Individual response of this questionnaire will be shared only within the IAIS membership. They will be aggregated to inform the overall implementation status of the LMP requirements in an aggregate report for the public purposes.

Responses to the questionnaire should be submitted by **15 June 2018** to the IAIS Secretariat daisuke.hirose@bis.org and carole.lin@bis.org.

1 Respondent profile

Name of your Jurisdiction	
Name of your Authority	
Contact person of this questionnaire:	
Name	
Job title	
Email	
Telephone	
Convenient time to call (if necessary)	

2 General questions

1. What legal power do you have to assess liquidity risks in your jurisdiction?

2. As a GWS, do you have specific supervisory guidance or expectations against which you assess liquidity risks for a G-SII? If you do, have they been shared with the G-SII or with the public, or are they only available for internal use?

3. If you have specific supervisory guidance and expectations against which you assess liquidity risks for G-SIIs, are there plans to supplement or to revise existing liquidity requirements in your jurisdiction? Please elaborate on the timeframe for completion.

4. Do you require insurers in your jurisdiction (including but not limited to G-SIIs) to run liquidity analyses? If yes, please elaborate.

5. Do you apply proportionality to the analysis of insurers' liquidity risks based on the nature, scale and complexity (including but not limited to G-SIIs)?

6. In addition to a group level assessment of liquidity risks, do you also assess liquidity risks at a sub-group or individual entity level?

7. If you assess liquidity risks at a sub-group or individual entity level, what factors determine whether you assess the liquidity risks for a particular sub-group or individual entity?

3 Liquidity Management and Planning for G-SIIs

Liquidity Assessment on G-SIIs

8. What types of information are G-SIIs providing related to liquidity risks (eg. internal plans, ORSA, or information from external sources such as credit rating agencies)?

9. Do you consider the following when you conduct a liquidity assessment on the G-SII?

	Yes	No
A. Asset Liability Management (ALM)		
B. Potential future liquidity demands		
C. Assessment of gap analysis and liquidity risk management, subject to clearly documented governance requirements		

If you select 'Yes' please elaborate on how you assess the element.

If you select 'No' please elaborate on why the aspect is not considered.

Policy for the day-to-day and long-term management of liquidity risk

10. How do you assess the G-SII's liquidity risk appetite? Do you have expectations and/or quantitative targets?

11. Does your expectation vary based on the business model, product types or other characteristics of the firm?

Liquidity sources and liquidity needs

12. Do you assess the G-SII's projections of liquidity sources and needs?

13. Referring to your local requirements and supervisory guidance, what types of assets do you expect to be considered towards a G-SII's liquidity sources?

14. Referring to your local requirements and supervisory guidance, what types of liabilities do you expect to be considered towards a G-SII's liquidity needs?

15. Do you assess the liquidity implication of material capital actions (eg. capital repatriation, dividends, etc.) and if so, how is it assessed?

16. Do you have the legal power to restrict payment of dividends on the basis of liquidity risk?

Management of liquidity risk

17. How do you ensure that a G-SII's management of liquidity risk is effective? Please provide some examples (eg. risk reporting, audit reports)

Liquidity gap analysis/ liquidity stress testing

18. How often do you require a G-SII to conduct a gap analysis?

19. Is the gap analysis done at a level that allows for identification of the location of material gaps, and do you consider the transferability of assets across the group or what expectation do you have related to how transferability should be considered in the analysis?

20. Referring to your local requirements and supervisory guidance, do you have expectations on types and severities of scenarios? If yes, what are they?

21. Do the expectations for scenarios differ based on the business models, product types or other characteristics of G-SIIs?

22. Referring to your local requirements and supervisory guidance, do you have expectations for different time horizons for liquidity sources and needs?

23. To what extent do you evaluate the credibility of management actions that could impact the liquidity position of the insurers?

24. How frequently do you receive reports on the liquidity stress testing results?

Reporting/ Supervisory College

25. Do you share the LMP within a Supervisory College? If yes, in what way and how do you share?

26. If not, do you share any liquidity risk profiles or policies in relevant Supervisory College?