INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

Resolution of public consultation comments on Application Paper on Macroprudential Supervision

08-March-21 to 07-May-21

Organisation	Jurisdiction	Answer	Resolution of comments
Q1 General Comment on the draft Application Paper			
1. Global Federation of Insurance Association	Global	GFIA appreciates the opportunity to comment on the Application Paper on Macroprudential Supervision .The insurance industry welcomes the reference to and the application of the overarching concept of proportionality in macroprudential supervision . The Holistic Framework for Systemic Risk, which the AP builds on, represents an achievement in relation to the management of potential systemic risk. The holistic framework includes a number of enhancements to micro prudential measures to mitigate certain risk exposures and increase the resilience of the insurance sector and/or decrease the probability and magnitude of a negative systemic impact where risk does materialise. Therefore, the guidance on the application of ICP 24 should reflect this reduced risk and approach the elements of the ICP with appropriate proportionality. In addition, ICP 24.0.3, in describing macroprudential supervision, notes that it involves the identification, monitoring and assessment of sector-wide vulnerabilities and common exposures in the insurance sector and the risk of amplification and transmission of shocks to the financial system and real economy caused by the size, complexity, lack of substitutability and/or interconnectedness of a distressed or failing insurer; or collective actions or distress of a sufficiently large number of insurers undertaking similar activities and thus exposed to common risks. In line with this guidance we consider that monitoring and assessment of sector-wide vulnerabilities should be the prime focus enabling supervisors to drill down to vulnerabilities of distressed or failing insurers where relevant. Currently the application paper seems to place more emphasis on the assessment of the potential systemic importance of individual insurers rather than the assessment of sector wide vulnerabilities. In this respect, GFIA would like to express its concerns that the paper's focus on the assessment and systemic relevance of individual insurers departs from the identification, monitoring and assessment of insurance sector-wide vulnerabilities and common exposures, and the risk of distressed or failing insurers or the collective actions or	General comments are appreciated. Comments on specific issues are resolved in the relevant sections or it is believed that text appropriately addresses the issues, as applicable. See 1.3 Proportionality An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link. The IAIS acknowledges that section 4 of the Paper could be perceived to be somewhat biased towards individual insurer systemic risk assessments. On a global level, limited work and studies have been done on sector-wide systemic risk assessments as past and current experiences have been largely focused on individual insurer assessments. This matter could possibly be considered as a future area of focus for the IAIS as jurisdictions continue to

		distress of a sufficiently large number of insurers as noted above. While the holistic framework includes the establishment of a supervisory process to assess the potential systemic importance of individual insurers and the insurance sector, these need to be balanced in the context of the framework as a whole which enhances micro-prudential measures to mitigate certain risk exposures and increase the resilience of the sector, together with a focus on the monitoring and assessment of sector-wide vulnerabilities. The draft Application Paper in contrast seems to have shifted back toward more emphasis on an entity-based approach. GFIA therefore suggests to de-emphasize the entity-based elements of this paper in favor of a stronger initial focus on the monitoring and assessment of sector-wide vulnerabilities and common exposures on the insurance sector.	develop methods and techniques over time to enhance their systemic risk assessment frameworks for sector-wide monitoring. Text was added in a new Section 4.3, highlighting the important interplay between systemic risk assessment at the individual insurer level and sector-wide level, and that methods and techniques are still in the development phase for sector-wide analysis.
		GFIA would also like to highlight that the potential use of stress testing within individual insurers' Own Risk and Solvency Assessment (ORSA) reports is an inappropriate use of the ORSA concept. ORSA is owned and managed by firms themselves, representing an "own view" of risk and so it would be inappropriate for supervisors to seek to specify stresses that insurers should apply in the ORSA.	3.2.2 ORSA, refer to resolution to comment #95
		The application paper should also encourage greater flexibility for supervisors in the manner in which they assess systemic risk, both at a sectoral level and with respect to individual insurers, given differences across markets. Supervisors should be able to base their assessments on their knowledge of insurers, the markets they are responsible for and the data they already have access to. In this respect the focus should be on outcomes in terms of the questions supervisors are seeking to answer.	This is covered under the overarching principle of proportionality; see also 1.3 Proportionality
		In addition, the application paper appears largely silent on involving the insurer in the supervisors findings. ICP 24.3.4 notes that the supervisor should communicate the findings of its assessment as appropriate. The guidance would be improved if it covered the interaction between the supervisor and insurers in this respect, particularly in the need for supervisors to clearly articulate and quantify the scale of any potential systemic risk and discuss this with the insurer to ensure that there is a common understanding,	See 4.14 De-risking and 5.2.3 Preventive and corrective measures

		and where so to provide insurers with the opportunity to set out how such risk can be managed.	
2. International Actuarial Association	International	The IAA understands the rationale for, and supports the development of, good standards of practice for macroprudential supervision. Indeed, the ICP 24 principle statement provides a succinct and fitting summary of macroprudential supervision. While the paper contains much useful content for supervisors, the IAA suggests some important messages are given insufficient focus while others are afforded a disproportionately large portion of the paper. Messages that the IAA suggests could be made more strongly with additional elaboration include: - A fundamental purpose of macroprudential supervision is to identify sources of systemic risk that involve the insurance sector and its role within the wider economy. Consequently, macroprudential supervision should seek to identify the transmission and build-up of various risks that may have systemic impact a) on the insurance sector and/or b) on the wider economy due to activities in the insurance sector. - While the paper gives a good overview of the different considerations in establishing and developing tools for macroprudential supervision, the IAA feels that in places the paper currently is too high level. More detail could usefully be added to enable supervisors to understand which tools to use in what circumstance and how to make choices where different approaches are described in the paper. The IAA suggests that the paper gives disproportionate weight (and space) to the topic of identifying the systemic importance of insurers. Section 4 is focused on this topic and occupies about 40% of the entire paper (excluding annexes). The opening sentence of Section 4 indicates that "identification of [the] systemic importance in the insurance sector is one of the paramount objectives of macroprudential supervision". While the IAA agrees on the need to identify the systemic importance of insurers, such important work is just one part of macroprudential supervision (e.g., identification of transmission paths and build-up of inward and outward systemic risks). A further example of the need for improved balance in the paper relates to section 2.2.1	General comments are appreciated. Comments on specific issues are resolved in the relevant sections or it is believed that text appropriately addresses the issues, as applicable. Section 3 In the introduction of the Application Paper – has been clarified the intention of the document to provide an examination of possible tools that the supervisor can choose, taking into account the jurisdictional specificity and the potential risks that can compromise the stability of the jurisdictional insurance or financial system. On the basis of his own resources and specificities, the supervisor can evaluate whether and how to make use of specific tools. Section 4 An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link. The IAIS acknowledges that section 4 of the Paper could be perceived to be somewhat

		which covers the development of a risk dashboard. Two examples are included in Annex 2. Paragraph 24 recommends the use of key risk indicators without going into any detail of the criteria which could be used to identify what the key risk indicators might be. More guidance could be given on identifying what the indicators are going to be used for, the ability to calibrate on a regular and timely basis, how good a proxy they are for underlying distributions and their predictive power. In some cases, in the paper (for example, in Annex 2), examples are given of how items are used is some jurisdictions but without describing the rationale for them and the possible actions taken based on those dashboards. The IAA also suggests that a mapping of the main purposes of macroprudential monitoring, possible indicators and mitigation actions would be a useful addition to the paper.	biased towards individual insurer systemic risk assessments. On a global level, limited work and studies have been done on sector-wide systemic risk assessments as past and current experiences have been largely focused on individual insurer assessments. This matter could possibly be considered as a future area of focus for the IAIS as jurisdictions continue to develop methods and techniques over time to enhance their systemic risk assessment frameworks for sector-wide monitoring. Text was added in a new Section 4.3, highlighting the important interplay between systemic risk assessment at the individual insurer level and sector-wide level, and that methods and techniques are still in the development phase for sector-wide analysis. See Section 2
3. The Geneva Association	International	The text submitted to Q1 is also submitted as a separate letter. Dear Ms. Saporta, Dear Mr. Dixon, Thank you for the opportunity to provide feedback on the draft Application Paper (AP) on Macroprudential Supervision. The Geneva Association has provided detailed comments to the AP through the online consultation tool, and this letter summarises the key issues. Approach to Macroprudential Supervision The Geneva Association has endorsed the IAIS Holistic Framework for Systemic Risk in the Insurance Sector (HF), including the related updates made to Insurance Core Principle (ICP24). According to ICP 24.03 macroprudential supervision involves the	General comments are appreciated. Comments on specific issues are resolved in the relevant sections or it is believed that text appropriately addresses the issues, as applicable.

		identification, monitoring and assessment of: - Sector-wide vulnerabilities and common exposures in the insurance sector; and - The risk of amplification and transmission of shocks to the financial system and real economy caused by: o the size, complexity, lack of substitutability and/or interconnectedness of a distressed or failing insurer; or o collective actions or distress of a sufficiently large number of insurers undertaking similar activities and thus exposed to common risks. As the excerpt from ICP 24 shows, sector-wide monitoring is core to macroprudential supervision. We understand the Application Paper as an aspect of the implementation of the Holistic Framework and we agree with the purpose of the AP as a mechanism for providing more clarity and guidance to supervisors in implementing the jurisdictional aspects of the HF. We are supportive of the virtues of the HF and support the IAIS' effort to provide more clarity, guidance, direction, and tools for practical implementation, which is important to ensure the framework is credible. However, the way the AP is currently laid out, with its disproportionate focus on assessing the potential systemic importance of individual insurers versus sector-wide analysis, is inconsistent with the HF. The Geneva Association believes that the focus on the assessment of individual firms at the expense of sector-wide monitoring results in an AP that may not adequately assist supervisors in achieving one of the most important aspects of the HF, i.e. a forward-looking analysis focussed on sector-wide market surveillance to identify emerging trends in the sector. The AP's current predominant focus on an entity-based approach might inadvertently replicate the shortcomings of the G-SII framework, which misallocated significant resources to the overly intensive oversight of a handful of designated insurance groups without considering broader financial market developments and mitigating factors. Reduced-form Approaches As neither the reduced-form approach concept nor related methodologies are part of existing IAIS supervisory standards, we highlight this as an example of how the AP	Section 4 An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link. The IAIS acknowledges that section 4 of the Paper could be perceived to be somewhat biased towards individual insurer systemic risk assessments. On a global level, limited work and studies have been done on sector-wide systemic risk assessments as past and current experiences have been largely focused on individual insurer assessments. This matter could possibly be considered as a future area of focus for the IAIS as jurisdictions continue to develop methods and techniques over time to enhance their systemic risk assessment frameworks for sector-wide monitoring. Text was added in a new Section 4.3, highlighting the important interplay between systemic risk assessment at the individual insurer level and sector-wide level, and that methods and

		introduces new elements/standards rather than guiding supervisors in implementing existing standards. Further, this section goes beyond the boundaries of ICP 24.3.1 which expressly calls for supervisors to take a total balance sheet approach when considering the potential systemic importance of an individual insurer. The Geneva Association believes that the methodologies underpinning the proposed reduced-form approaches are inappropriate determinants of systemic relevance and, in focusing exclusively on potential capital pressures, do not reflect the key exposures and transmission channels (e.g. liquidity) underlying the HF. Given that such methodologies, for example CoVaR, are highly sensitive to market driven variables, their outcome would be particularly volatile and prone to false positives that could lead to amplifying systemic risk if relied upon for supervisory intervention. These approaches do therefore not identify systemically relevant institutions. The analysis of the pros and cons of these approaches would need to consider these points. Equally important is the fact that these methodologies do not seem to recognize differences in business models and insurer resolution regimes that may permit even troubled firms to endure periods of market volatility without having to resort to asset "fire sales" to maintain liquidity. Another major shortcoming of the proposed approaches is their applicability to only a subset of the market (e.g. publicly-listed firms) which would create supervisory blind spots, create an unequal playing field, and may lead to other adverse outcomes. In light of the above, we highly recommend the IAIS to remove the reduced-form approach concept and related methodologies from the final version of the AP. Proportionality We appreciate the IAIS' recognition of the proportionality principle, and as such, we agree with the statement that the paper should be read in this context. We would like to add two dimensions of proportionality. Recommendations made in the application paper should be proportional in light of: - The degree of potential systemic risk exposure as determined under the holistic	techniques are still in the development phase for sector-wide analysis. See 4.1.3 Reduced-form approach See 1.3 Proportionality

		framework, anchored in the methodical assessment of key potential systemic exposures and the corresponding transmission channels (e.g. asset liquidation; exposure channel). To ensure fidelity with the HF, the AP should make sure that the measures applied are proportional to how systemic risk is assessed within the HF rather than reverting to less meaningful indicators and proxies, such as firm size. - Systemic risk emanating from insurance versus the banking sector - recognizing that, unlike the banking sector, the insurance business model is not a material source of systemic risk. A better reflection of the characteristics of the insurance business model would help strengthen the AP. The HF, for example, applies proportionality through its emphasis on the application of an enhanced set of policy measures proportionally across the insurance sector based on the nature, scale and complexity of activities engaged in rather than size. Insurance sector analysis Although the merits of stress testing are clear, it seems that the application paper de facto mandates supervisors to have stress testing requirements in place. To our knowledge, this is, strictly speaking, not a requirement in ICP 24 - it is only mentioned in the guidance (24.2.6), which as such does not prescribe requirements. On standard-level, ICP 24 requires merely an "analysis of financial markets and the insurance sector that is quantitative". The application paper furthermore points to the ability for supervisors to provide guidance to the market with specifications on how to conduct stress tests as part of ORSA. ORSA stress tests are based on the risk assessment of the insurance company itself for micro prudential purposes. Considering ORSA's nature, we do not think it is appropriate for it to become a prescriptive regulatory exercise. Data collection for macroprudential purposes The paper devotes considerable attention to risk dashboards. We believe this emphasis suggests that all jurisdictions should develop them. While risk dashboards have visual appeal, it is important that the user understand the respective strengths and weaknesses of the tool to ensure the information is interpreted and acted upon appropriately.	See 3.2.2 Stress testing/ORSA (refer to resolution to comment #95) (2.2 Risk dashboards) The paper provides examples and is not prescriptive. Jurisdictions can exercise discretion.

		Furthermore, data provided by insurers to supervisors as part of regular supervisory interactions are rich and contain a lot of valuable information that can be used to support macroprudential monitoring. To avoid creating undue additional burden on supervisory and insurer resources, the guidance provided should encourage supervisors to consider how they can leverage their existing tools, knowledge, and information that they already have access to as a basis for macroprudential monitoring purposes. Supervisory response The guidance should be enhanced to cover the interaction between the supervisor and insurers following the supervisor's assessment of potential systemic importance. This should cover the need for supervisors to clearly articulate and quantify the materiality of any potential systemic risk and discuss this with the insurer to ensure that there is a common understanding. Where material systemic risk has been identified, the guidance should steer supervisors to first ask the relevant insurer(s) to set out how such risk can be effectively mitigated/managed before considering other potential interventions. Our detailed response identifies several areas within the Application Paper that could benefit from further refinements. Given the volume of new material introduced, it is challenging to provide fully comprehensive responses to each of the aspects raised. Remaining silent on certain items does not necessarily indicate agreement on all those items. We thank the IAIS for the opportunity to provide feedback and look forward to further engagement on this important topic.	See 4.14 De-risking and 5.2.3 Preventive and corrective measures
4. Central Bank of Ireland	Ireland	General comment - we believe more work is needed on the readability of the document. While each individual section reads fine, the linkages between could be improved to ensure that the document combines into a coherent single narrative. General Comment - care should be taken when referencing reinsurance in the paper, to not just reference reinsurance that is evident on the balance sheet of insurers, but to also consider non-proportional reinsurance. Often firms rely on reinsurance where the effect is only significant after a stress event has happened (e.g. longevity reinsurance, stop loss arrangements), and this is also when the reinsurer is most likely to fail.	General comments are appreciated. Comments on specific issues are resolved in the relevant sections or it is believed that text appropriately addresses the issues, as applicable.

5. The Life Insurance Association of Japan	Japan	- The Life Insurance Association of Japan (hereafter "LIAJ") appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (or the "IAIS") regarding the Application Paper on Macroprudential Supervision. - We believe that the systemic risk of the insurance sector is relatively lower than the banking sector, which has payment and settlement functions. The policy measures applied should also be modified according to the degree of the systemic risk of the insurance sector, and the proportionality principle. - The Holistic Framework for Systemic Risk (or the "HF") and Macroprudential Supervision require insurance companies to take various measures including data collection, stress testing, liquidity risk management, and reporting to supervisors. However, ICP Introduction 9 states the supervisor should increase or decrease the intensity of supervision according to the risks inherent to insurers (the proportionality principle). The intent of ICP Introduction 9 should be fully considered when applying the Application Paper.	General comments are appreciated. Comments on specific issues are resolved in the relevant sections or it is believed that text appropriately addresses the issues, as applicable. See 1.3 Proportionality
6. Institute of International Finance	United States	Dear Dr. Saporta and Mr. Dixon: The Institute of International Finance (IIF) and its insurance members welcome the opportunity to comment on the IAIS's Draft Application Paper on Macroprudential Supervision (Draft AP). We appreciate the need for and importance of further supervisory guidance on the implementation of ICP 24 (Macroprudential Supervision) and the Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector (Holistic Framework). Macroprudential supervision of the insurance sector is an important part of the jurisdictional supervisory toolkit. This supervision should be proportionate to the level of risk the sector presents to the financial system and real economy with analysis anchored in the agreed transmission channels identified in the Holistic Framework. Macroprudential supervision should be conducted in a manner that is directly tied to macroprudential objectives, taking into account the important cost/benefit tradeoffs discussed in this response. Overarching Comments	General comments are appreciated. Comments on specific issues are resolved in the relevant sections or it is believed that text appropriately addresses the issues, as applicable. See 1.3 Proportionality See 2.1 Consideration of data to collect

		The Draft AP should better align with the interrelationship between ICP 24 and the Holistic Framework in order to reduce inconsistencies. While we accept that the Draft AP (and any subsequent Application Paper) and the 2019 Level 1 Holistic Framework serve different purposes, they are very closely interrelated. Paragraph 3 of the Draft AP draws a very direct link among the Draft AP, ICP 24 and the Holistic Framework. The Draft AP is intended to interpret and provide practical guidance to supervisors on the implementation of ICP 24. ICP 24, in turn, is cited by the IAIS as a key element in the "move away from the previous binary approach … toward a proportionate application and enhanced set of policy measures" (see Paragraph 39 of the 2019 Level 1 Holistic Framework and Table 1). We strongly believe that the Draft AP should reflect the approach of the Holistic Framework and that the IAIS should resolve several significant inconsistencies between the two, as well as with ICP 24. Notably, the IAIS should more closely align the Draft AP with the Holistic Framework by: - Establishing a clearer linkage between the macroprudential supervisory tools highlighted in the Draft AP with the key potential systemic risk exposures and transmission channels that are the foundation of the Holistic Framework. The Draft AP, in certain areas, makes high-level references to the exposure/transmission channel concepts of the Holistic Framework but does not integrate these concepts with the corresponding supervisory tools in a meaningful manner. Among other shortcomings, this makes it difficult to assess the degree of proportionality inherent in the Draft AP as the Draft AP does not establish a discernible relationship between the level of potential systemic risk (as determined through the exposure/transmission channel) and the corresponding macroprudential supervisory tools. - Rebalancing the Draft AP to focus on sector-wide risk relative to individual insurer risk. The Draft AP does not adequately focus on sectoral risks with its significant focus on individual insurers. Relatedly, the Draft AP does not fully take into consideration the need for supervisory coordination to develop a group-level view of risk. - Distinguishing more clearly between macroprudential oversight, aimed at potential systemic risk trends affecting the sector more broadly versus the microprudential oversight that is the basis for company-specific prudential supervision. Certain	See Section 1 Introduction An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link.

		supervisory tools discussed in the Draft AP, such as stress testing, could have both macroprudential and microprudential applications and implications. The Draft AP should not inadvertently promote "scope creep' or blur the boundaries between the objectives of macroprudential and microprudential supervisory objectives. The Holistic Framework begins with a sector-wide analysis, consistent with the evolution from an approach in which policy measures applied to a small number of insurers to one that emphasizes sector-wide monitoring conducted by jurisdictional supervisors. We urge the IAIS to adopt the same sectoral focus in the Draft AP, as its focus is too institution-specific. Additionally, we encourage the IAIS to review ICP 24, in place of the current emphasis on institution-specific assessments. To this end, we encourage the IAIS to focus the paper on practical guidance on how supervisors can establish sector-wide assessment frameworks that strengthen their ability to identify and respond to an activity of concern. Further, while we support jurisdictional implementation of the policy measures and tools underpinning the Holistic Framework, we believe that the IAIS should also provide guidance on how results of jurisdictional analysis could be shared across jurisdictions as well as where and how jurisdictions could coordinate activities as they may pertain to insurance groups with international operations. One example of supervisory action that we believe could strengthen the Draft AP is the review of insurers' investments in collateralized loan obligations (CLOs) that was conducted by the National Association of Insurance Commissioners (NAIC) in 2018. The NAIC became aware of a steady increase in insurers' CLO exposures and conducted an ad hoc one-time review of this market development to determine the potential impact on the investment portfolios of U.S. insurance companies. The NAIC's Capital Markets Bureau concluded that CLO exposures represented a very small proportion of U.S. insurers' total assets and that these exposures generally were of high credit quality. This review of CLO exposures also revealed some double counting of exposures. The report did not suggest that a supervisory response was needed. Importantly, the CLO review did not involve or lead to an annual data call; rather, it was a targeted, limited study that responded to a specific market development to answer the question of whether supervisory intervention was needed.	The IAIS acknowledges that section 4 of the Paper could be perceived to be somewhat biased towards individual insurer systemic risk assessments. On a global level, limited work and studies have been done on sector-wide systemic risk assessments as past and current experiences have been largely focused on individual insurer assessments. This matter could possibly be considered as a future area of focus for the IAIS as jurisdictions continue to develop methods and techniques over time to enhance their systemic risk assessment frameworks for sector-wide monitoring. Text was added in a new Section 4.3, highlighting the important interplay between systemic risk assessment at the individual insurer level and sector-wide level, and that methods and techniques are still in the development phase for sector-wide analysis.

		Section 4.2.5 of the Draft AP calls for a cross-sectoral analysis that links the insurance sector with other parts of the financial system such as banks, funds, payment systems, and the public sector. Guidance on this cross-sectoral analysis could be better articulated in the Draft AP. Moreover, the concerns about the interconnectedness of the insurance sector with other financial services sectors should be tempered by the positive benefits of these interconnections (as discussed below)–benefits that would be revealed in a cross-sectoral analysis. Finally, we also encourage the IAIS to reflect in the Draft AP that any assessment of systemic risk should be made at the group level by the competent authority. A clear statement by the IAIS of the need for a group level assessment led by the group supervisor is critical to avoiding multiple and/or inconsistent approaches to the assessment of and response to potential systemic risks in an insurance group or entity. Reduced-form approaches are not appropriate for the insurance sector The Draft AP errs by going beyond the Holistic Framework and ICP 24 with its endorsement of "reduced-form" approaches and methods for assessing the systemic relevance of individual insurers that have not been demonstrably linked to the transmission channels for systemic risk that the IAIS has identified. We urge the IAIS to refocus the Draft AP on a sector-wide macroprudential analysis, with adequate consideration of individual market specificities, and to reserve deeper focus on individual insurers for instances where sectoral analysis suggests that the activities of one or more firms may be contributing to systemic stress. For reasons articulated in the discussion of Assessing Systemic Importance, below, we strongly recommend that the IAIS remove the discussion of reduced-form approaches from the Draft AP. The Draft AP needs to better reflect the proportionality principle and an outcomes-focused approach The Holistic Framework reaffirms the principle of proportionality and the outcomes-focused approach that underlie most IAIS Application Papers (see Paragraphs 41 and	See 4.2.5 Cross-sectoral analysis See 4.1.3 Reduced-form approach See 1.3 Proportionality

		42). However, the Draft AP does not adequately reflect this important principle and approach. We find the discussions of data collection and quantitative and qualitative analyses in the Draft AP to be prescriptive. The Draft AP should refrain from inadvertently endorsing a particular tool or set of tools, as it may give supervisors the impression that their supervisory frameworks would not be adequately robust or complete without those specific tools. Similarly, the extensive discussion of indicators does not reflect that different indicators may be appropriate for different markets; moreover, some of these measures have not been tested across a full market cycle. While some microprudential tools play an important role in advancing macroprudential objectives, we encourage the IAIS to clearly define and delineate its guidance on macroprudential supervision and oversight, and to distinguish macroprudential supervision from microprudential supervision. The development of supervisory tools, whether microprudential or macroprudential, should be based upon a rigorous cost/benefit analysis that takes into account, and documents explicitly, the burdens imposed on both supervisors and insurers and the anticipated supervisory benefit(s) of the tool. Supervisors should have the flexibility and discretion to design supervisory tools and to use indicators that best meet their needs and supervisory goals and that reflect the characteristics of the insurance market in their jurisdictions. Similarly, the wide range of practices introduced in the Draft AP should be positioned as a menu of options rather than an inventory of expected practices. Cautions around a highly data-driven approach The Draft AP reflects a highly data-driven approach that should be tempered with a greater emphasis on qualitative multi-factor approaches that reflect that market stresses may emanate from unexpected sources, as has been evident during the COVID-19 crisis. Financial statement information reflects a past state that may be markedly different from current conditions. The limitations of historical data have been highlighted in the current crisis. The IAIS should advise supervisors about their responsibility to ensure that staff skilled in	See 2.1 Consideration of data to collect

		data and statistics are employed to interpret carefully the output of data from tools. Supervisors should be warned about the risks of using "black boxes' that limit the supervisory view into how the underlying data was generated and from what sources, and how various data points were weighted. Supervisors should understand that tools and indicators that contain rapidly changing market data can produce false positives or incorrect predictions, lead to faulty conclusions as to causality and, ultimately, result in inappropriate supervisory actions. Results and supervisory actions must be tractable. Some tools or indicators may have the advantage of providing snapshots of important metrics but have the disadvantage of not providing the full context that is needed for effective supervisory decision making. Certain indicators that are helpful at the entity level may not be as helpful, or can be misleading, when applied at the group level. The output of supervisory tools, indicators, and metrics should be considered as one of several factors in conducting macroprudential supervision in a holistic manner. Data requests should be targeted and aligned, supported by robust cost/benefit analyses Any request for data from individual insurers should be supported by a robust cost/benefit analysis in order to avoid burdensome/overbroad and multiplicative requests that may generate information of limited utility. Jurisdictional supervisors should take the lead in designing data calls, as they have a better understanding of what data is most valuable. The IAIS should revisit its arrangements for receiving aggregated information from jurisdictional supervisors and develop protocols that can address any challenges of data sharing that could impede global supervisory coordination while recognizing and respecting that approaches across jurisdictions can and should vary in light of the heterogeneity of insurance markets. Targeted requests and effective supervisory coordination can help ensure that management's time and attention are devoted to operating the business, and supervisory attention is devoted to key risks, particularly during a crisis. Comments on Specific Sections and Paragraphs	

		Data Collection for Macroprudential Purposes As jurisdictions establish their macroprudential frameworks, which we encourage as key to the implementation of the Holistic Framework, the IAIS should seek to leverage to the maximum extent possible the work of the member supervisors in order to avoid requesting similar or multiplicative information that puts an undue and unwarranted burden on both insurers and supervisors. The COVID-19 crisis revealed the significant value of workshops and discussions among supervisors and senior risk managers of insurance groups. These discussions can better reflect current market conditions and concerns and provide valuable forward-looking perspectives than can data calls that collect historical data and may quickly become stale. Workshops and discussions also allow for a focus on desired outcomes, rather than on data points. Stakeholder discussions can also help identify the risk factors that are most relevant to a particular sub-sector of the industry, region, or jurisdiction. Assessing Systemic Importance We agree with the statement in Paragraph 91 that off-balance sheet items should be judged holistically, and we would extend that concept to the whole of the balance sheet approach. A holistic approach should also encompass dialogue with senior management of the insurer in order to place the balance sheet analysis in the proper context and to better understand material recent developments that have impacted the balance sheet, either positively or negatively. A greater emphasis should be placed on the materiality of risks when supervisors conduct a balance sheet review. Supervisors should also understand how the insurer manages its assets and liabilities and what enterprise risk management or asset/liability management techniques and risk mitigants the insurer can employ to address any balance sheet stresses or risks described in Paragraph 90 (e.g. fire sale or credit risks). We also encourage a greater emphasis on inward risks in this paragraph, as generally they are more material for insurers than are outward risks. We reiterate the comments we have made previously on the "limited substitutability (critical functions)" transmission channel. Insurers conduct few, if any critical functions.	 See comment #23 for resolution See comment #142 for resolution

		While on rare occasions limited substitutability could be of systemic relevance to the insurance sector, we would not consider it a critical function in the same manner as, for example, the banking critical functions that are linked to the real economy and the money supply. Insurance markets are largely self-correcting; when a disruption occurs, insurance rates tend to harden due to lower capacity and increased risk premiums, and increased premiums in turn attract new sources of capital to the sector. We do not agree with the statement in the final bullet of Paragraph 85 that global activity may be a proxy for the complexity of an insurance group. Neither size nor global activity should be seen as indicia of complexity or systemic relevance. We note that Paragraph 93 appropriately recognizes the risk mitigating impacts of geographic and economic diversification of exposures. We also point to Paragraph 40 of the Holistic Framework, which notes that size and international activity may work as risk amplifiers but do not necessarily correspond to whether an insurer is engaged in potential systemic activities or exposed to certain systemic risks. Indeed, geographic diversification, while increasing group complexity, may also act to significantly reduce an insurer's risk profile. We reiterate our previous comments on the inappropriateness of deep haircuts or write-offs of securities issued by financial institutions (Paragraph 92). The availability of these instruments as sources of liquidity should be analyzed in a risk-based manner. Broadly excluding these assets from a liquidity portfolio could have negative macroprudential ramifications, including impacts on the pricing and supply of certain types of assets, asset concentrations, and hoarding. Further, the exclusion of these instruments could have a negative effect on the financial sector and the real economy by disincentivizing insurers' investments in the debt of other financial institutions. Insurers also should not be constrained from using bank sources of liquidity, consistent with sound asset/liability management and risk management practices. More broadly, the discussion in Paragraphs 92 and 93 should acknowledge the stabilizing nature of the insurance sector and the reality that insurers do not fail overnight. The Draft AP touches on these points briefly and indirectly in Paragraph 79, but does not leverage them throughout the document. The Draft AP would benefit from an explicit acknowledgement that insurance acts as a stabilizer in the event of idiosyncratic shocks or aggregated shocks (e.g. natural catastrophe). Insurers act as a	

		major source of funding to the financial markets through their investments, much of which is patient, long-term capital. The role of insurers as market stabilizers has been amply demonstrated during the COVID crisis, most notably during the Q1 2020 market instability. Insurers support the products offered by the banking sector (e.g. through the provision of trade credit insurance). Insurance alleviates the fiscal pressures of government social spending by providing private sources of income to individuals impacted by the death or disability of a wage earner or to individuals and companies impacted by a natural disaster. The Draft AP should advise supervisors to conduct a careful analysis of the use of any proposed macroprudential tools or measures in light of their potential to undermine the important stabilizing role of the insurance sector. Poorly designed or inappropriately deployed tools and measures could have deleterious impacts on financial stability and the real economy. In considering insurers' interconnections with the real economy (see Paragraph 99 and following), we encourage the IAIS to consider how the Draft AP reflects past guidance that the IAIS has issued. For example, some of the concerns around these interconnections may not be consistent with the positive tone around infrastructure investments that the IAIS expressed in a recent IAIS stock-take, and may not align with initiatives from the G20 and other official sector organizations. Concerns about interconnectedness also do not reflect the positive contributions of insurers' connections to other financial services sectors and the real economy, and to financial stability as noted above. We recommend a broader approach in Table 6 that also encompasses indicators of impact to the financial sector as well as to the non-financial and public sectors. The cut-offs under the indicator-based approach (see Paragraphs 105 and 106) are overly simplistic as they do not allow for the consideration of the qualitative or discretionary judgment that is essential to a holistic analysis. They also do not appear to reflect the broader context of insurer and insurance group enterprise risk management and asset/liability management. Additionally, these scoring mechanisms do not provide for discussion with the management of the insurer, which can result in new or different insights into the amount of risk or systemic relevance reflected in a particular indicator.	

		Section 4 introduces new supervisory standards and guidance that disregards the framing that the IAIS has established for the role of Application Papers, as expressed in Paragraph 4. Section 4.1.3 advances reduced-form approaches as methodologies for identifying systemically important insurers. Reduced-form approaches are inconsistent with ICP 24, which calls for the analysis of a full range of quantitative and qualitative factors when considering the potential systemic importance of an insurer (see ICP 24.3), and are also inconsistent with the Holistic Framework. Reduced-form approaches do not reflect the holistic approach to insurance sector analysis that is encapsulated in ICP 24.2 ("The supervisor, as part of its macroprudential supervision, performs analysis of financial markets and the insurance sector that: is both quantitative and qualitative; considers historical trends as well as the current risk environment; and considers both inward and outward risks.") The apparent simplicity of reduced-form approaches masks the complex and volatile nature of these models. Reduced-form models rely on market-related data and variables, and are econometric "black box' methodologies typically managed by third parties that do not provide supervisors with control over or even the necessary insights into the underlying data or modelling techniques needed to make an informed decision as to their effectiveness and fitness for purpose. It is important to understand thoroughly the drivers and sensitivities of reduced-form modeled outputs and the potential for these outputs to give rise to false positives and precision bias. Reduced-form models may also provide output that does not provide insight into performance over a full economic cycle. Reduced-form models were developed largely in response to the global financial crisis of 2007 to 2009 (GFC) and, therefore, might not be relevant in assessing different conditions or scenarios than those that prevailed during the GFC. Reduced-form models generally attempt to predict when an event (e.g. a default) will occur but do not provide insight into the context or reason for the occurrence of the event and how the company will be impacted by the event. Reduced-form approaches may depend on assumptions that might not appropriately reflect an insurance group's financial	

		condition, including its capital adequacy, leverage, and resolvability. Moreover, these models tend to focus exclusively on prospective capital-related impacts, whereas much of the Holistic Framework is appropriately focused on liquidity pressures as a potential systemic risk transmission mechanism. Importantly, "reduced-form" approaches have not been demonstrably linked to the transmission channels for systemic risk that the IAIS has identified. Indeed, for reasons explained in the following paragraphs, reduced-form approaches have been challenged by economists because they are focused on capital shortfalls instead of illiquidity, and they lack the ability to differentiate key aspects of the banking and insurance models that are key to assessing any systemic threat. SRISK in particular has been developed for the banking sector and is not appropriate for application to the insurance sector. The focus on the expected capital shortfall in the event of a prolonged market decline is misplaced in the insurance context because insurers rarely fail suddenly; rather, the presence of adequate liquidity to facilitate an orderly wind-down or exit from some markets is a more appropriate focus for insurers (and has been an important key focus of the IAIS). In the insurance context, different factors are more important (e.g. reserves) and some factors will be more relevant for P&C insurers and others more significant for life and retirement companies. Moreover, SRISK model outputs and rank orderings of firms over time are volatile. In a 2016 paper, which is attached for your convenient reference as Appendix A, Hal Scott of Harvard Law School and Oliver Wyman concluded that the SRISK measure is not appropriate for estimating and comparing the systemic risk of life insurers to that of other peer financial institutions. The Scott paper states that SRISK does not provide the means to assess the potential for large insurers to potentially pose the same levels of systemic risk to the financial system as banks because it does not attempt to measure the ability of an institution to cause or transmit risk to the financial system or broader economy and because the metric relies on invalid assumptions (e.g. that an insurer would need to and would be able to rapidly de-leverage its portfolio under stress). SRISK does not measure the potential for an institution to transmit systemic risk because it only shows that an	

		individual institution could be vulnerable to failure, while ignoring several key causation and transmission channels. It applies a uniform approach based on high-level publicly available data to the heterogeneous insurance sector and ignores the historical proof that distresses in insurers have not led to systemic consequences. Moreover, SRISK inappropriately uses market capitalization as a proxy for an insurer's regulatory capital and strength, despite the fact that the study found that, historically, the risk-based capitalization of large U.S. insurers and their market capitalization failed to show any correlation in movement. (The Scott paper was focused on the U.S. insurance market.) Another study from 2017 found that the SRISK methodology substantially overstates the systemic risk of Canadian insurers, in part due to the inclusion of segregated funds in insurance liabilities, which overstates leverage. As the IAIS acknowledges in Paragraph 112 of the Draft AP, coverage of reduced-form models, such as SRISK and conditional value at risk, or CoVaR, is limited to publicly traded insurance groups operating in deep and liquid equity markets. This poses a scope challenge, as these models would not apply to the sector-wide population under consideration, including mutual insurers, smaller insurance groups, operating subsidiaries or some groups operating in emerging markets or developing economies. In Paragraph 126, the IAIS also acknowledges such approaches "carry significant non-economic volatility which reduces the validity of the signal." Given the significant shortcomings of reduced-form approaches, which the IAIS acknowledges, we strongly recommend that references to these approaches be removed from the Draft AP. Insurance Sector Analysis Supervisors should review the results of insurers' stress testing before conducting their own exercises. Insurers are better placed to understand and reflect in their stress tests the risks most relevant to the company. The results of stress testing should be interpreted carefully, using solid data analysis and contextual information to inform any supervisory conclusions.	See comment #54 for resolution

		It is important that the Draft AP acknowledge that, while uniform supervisory stress tests and scenario analyses may facilitate comparability, they are not well suited for pinpointing the material risks and exposures of individual insurer business models. The results of a uniform supervisory stress test should be reviewed in conjunction with company-conducted analyses and other company sources of information. As further discussed in our comments on transparency, the results of supervisory stress tests should not be disclosed publicly, as this could have destabilizing market impacts. The timing of stress tests and scenario analyses is also important; when market stresses arise, insurers should first be permitted to address and manage the stress situation at hand without the additional burden of supervisory data calls, stress tests and scenario analyses. Furthermore, in the aftermath of market stresses supervisors can look to the real data sets generated by that event, as with the COVID-19 crisis, instead of relying on theoretical stress events. Supervisory Response We reiterate our call for greater dialogue among supervisors and the senior management of an insurer before adopting a supervisory response or taking supervisory measures. Rule-based automatic triggers (see Table 10) are particularly vulnerable to misapplication and should be avoided. Rather, the focus should be on the development of a toolbox of measures that can be applied with supervisory discretion after full consideration and discussion with management of the insurer regarding the circumstances leading to supervisory concern. As noted in Paragraph 34 of the Holistic Framework, exposure to a vulnerability depends on how an activity is managed. Enhancements to enterprise risk management can best address risk management deficiencies at an insurer, and supervisors should be advised to direct management to develop those enhancements as a first response. Restrictions on business activities and other intrusive measures detailed in Paragraph 161 should be a last resort in a ladder of intervention that begins with the least intrusive measures. We agree with the focus on insurer-led measures in Paragraph 162, as the insurer best understands its risk profile. We also agree with the need for the supervisor to	See comment #242 for resolution

		document and communicate to the insurer the precise assessment of potential systemic exposures or activities that led to the requirement (Paragraph 163). The impact of supervisory measures on the insurer's ability to continue to meet policyholder needs under existing and new contracts should also be considered. Transparency We understand the need for transparency and reporting on the insurance sector, both to official sector institutions and to the general public, in order to instill and maintain confidence in the sector. However, caution should be taken to ensure that data is appropriately validated and aggregated in order to avoid harm to the market, to a company, or to a group of companies. As was agreed by the IAIS during the development of the Holistic Framework, any information that would allow an individual company or group of companies to be identified should be omitted from publication in order to avoid market harm. This is especially important in the case of publication of the results of a systemic importance assessment or of measures taken in relation to a distressed insurer. Publication of information that could result in the identification of a company or group of companies could have a dangerous destabilizing impact on the insurance market (and broader capital markets) as a result of market participants' uncertainty over the implications for their investments. It is likely that markets would overreact and adopt a worst-case scenario interpretation of the information that would aggravate, rather than address, the underlying supervisory concern. The decision-usefulness of the information intended to be published should be considered when making a determination as to whether to publish insurance data, as well as the potential burden on supervisors and insurers. We appreciate the opportunity to comment on the Draft AP and we are happy to provide any further context for or elaboration of our response.	See comment #273 for resolution
7. American Property	USA	The American Property Casualty Insurance Association (APCIA) appreciates the opportunity to comment on the Draft Application Paper. APCIA is the primary United	General comments are appreciated. Comments on specific issues are resolved in the relevant

Casualty Insurance Association (APCIA)		States trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions–protecting families, communities, and businesses in the U.S. and across the globe. We appreciate the high quality of the work that has gone into the preparation of this paper, and its reference to and application of the overarching concept of proportionality of supervisory review. We are concerned, however, that the paper's focus on ranking of individual insurers departs from the spirit of the holistic framework recently adopted by the IAIS and its shift in emphasis from an entity-based approach to an activities-based approach. While the activities-based approach does not preclude supervision of individual insurers, its heavier emphasis on activities rather than entities was a positive step toward a more effective and efficient approach to macroprudential supervision. The balance that was created in the holistic framework seems to have shifted back toward more emphasis on an entity-based approach in this draft paper. We suggest de-emphasizing the entity-based elements of this paper in favor of a stronger focus on activities. We are also concerned by its comments about horizontal reviews of individual insurers' Own Risk and Solvency Assessment (ORSA) reports, which we believe is an entirely inappropriate use of the ORSA concept. We hope the final paper will take these comments into account. Finally, we believe that the paper should encourage greater flexibility for supervisors in the manner in which they assess systemic risk, both at a sectoral level and with respect to individual insurers, given differences across markets.	sections or it is believed that text appropriately addresses the issues, as applicable. An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link. The IAIS acknowledges that section 4 of the Paper could be perceived to be somewhat biased towards individual insurer systemic risk assessments. On a global level, limited work and studies have been done on sector-wide systemic risk assessments as past and current experiences have been largely focused on individual insurer assessments. This matter could possibly be considered as a future area of focus for the IAIS as jurisdictions continue to develop methods and techniques over time to enhance their systemic risk assessment frameworks for sector-wide monitoring. Text was added in a new Section 4.3, highlighting the important interplay between systemic risk assessment at the individual insurer level and sector-wide level, and that methods and techniques are still in the development phase for sector-wide analysis. See 3.2.2 ORSA

			See 1.3 Proportionality
8. Liberty Mutual Insurance Group	USA	Liberty Mutual has strongly supported the move by the IAIS and insurance supervisors around the world to an activities-based approach (ABA) for evaluating systemic risk (rather than an entity-based approach) and we agree with much of the IAIS's Holistic Framework which encapsulates an ABA. We also recognize that to implement the ABA and the holistic framework some amount of enhanced macroprudential supervision is necessary. However, the insurance industry is generally neither a cause, nor transmitter, of systemic risk, nor is it particularly susceptible to material systemic risk from other sources. Accordingly, we have urged the IAIS in previous consultations (particularly the 2019 consultation on the holistic framework) that: 1) macro-prudential supervision policy should be limited in scope to those risks which are truly systemic in nature; 2) Data collection should be reasonably related to the limited nature of the industry's exposure to and generation of systemic risk, and; 3) The role of supervisors must be realistic and within the scope of their authority, expertise, and resources. Unfortunately, the Application Paper does not adhere to any of these principles as it proposes expansive new data collection and analysis by supervisors and burdensome activities by insurers to support that data collection and analysis. Furthermore, Section 4 of the Application Paper is almost entirely inconsistent with and in many ways contradictory of the ABA, because Section 4 reverts back to numerous different components of an entity-based approach to evaluating systemic risk, and proposes a complex, unwieldy, and expensive supervisory structure that should be in place to do so. We point to examples to illustrate these points in our comments to specific sections and paragraphs, herein. In summary, this Application Paper does not adhere to the IAIS's principle that application papers should provide additional material related to one or more ICPs (in this case primarily ICP 24), but not establish new supervisory standards. In fact, this	General comments are appreciated. Comments on specific issues are resolved in the relevant sections or it is believed that text appropriately addresses the issues, as applicable. See 1.3 Proportionality See Section 4

		Application Paper more than merely expands the scope of the ICPs, because it expressly contradicts previously developed key elements of IAIS policy. We urge the IAIS to reconsider and significantly revise this Application Paper.	
9. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Overall the paper reads well and is quite comprehensive. However the Application paper continues to be overly granular in detail and/or come across as prescriptive in places.	Noted
XXX. American Council of Life Insurers (ACLI)	USA	ACLI welcomes the opportunity to comment on the draft Application Paper on Macroprudential Supervision. ACLI strongly supports the Holistic Framework and the efforts underway by the IAIS and jurisdictional supervisors to successfully implement it. While the Application Paper contains some useful and appropriate material, there are a number of areas that raise concerns among our members. Viewed as a whole, the consultation paper reads much like an inventory of regulatory tools and measurements, some micro-focused and others macro-focused, without tying these tools and measurements back to the holistic framework in a way that would be useful for supervisors. We recommend pointing to a jurisdiction like the United States, where the NAIC and state supervisors have created a construct that includes liquidity stress testing, group capital calculation stress testing, interconnectedness analysis and other regulatory policies and procedures that together constitute a holistic risk assessment system. Another example of evidence-based macroprudential analysis is the NAIC collateralized loan obligation paper. And surely other jurisdictions have developed or are developing useful examples of macroprudential regulation. ACLI has a fundamental concern with Section 4.1.3 and the IAIS' introduction of the "reduced-form" approach. As a matter of governance, we are concerned with the endorsement of frameworks that have not been vetted by the IAIS or subject to public consultation. These frameworks, and the notion of a "reduced-form" approach more broadly, cannot be found within the Insurance Core Principles or the Common Framework for the Supervision of Internationally Active Insurance Groups, which the	General comments are appreciated. Comments on specific issues are resolved in the relevant sections or it is believed that text appropriately addresses the issues, as applicable. See 4.1.3 Reduced-form approach

		Application Paper is intended to support. Further, the introduction of reduced form approaches would single out life insurers on the basis of size (or its proxies) as opposed to risk exposure and appears to replicate many of the shortcomings of insurer designations as the approach to manage systemic risk at the expense of sector-wide macroprudential surveillance, which is the cornerstone of the Holistic Framework and critical to its successful implementation. As such, we believe their inclusion results in the introduction of new standards or expectations for supervisors and is therefore inconsistent with the role of Application Papers (see paragraph 4). In addition, the "reduced-form" approaches are wholly inappropriate for the life insurance industry. They tend to be "bank-centric" in design with abundant problems when applied to life insurance companies. The models are not reflective of the less disruptive way in which life insurer liabilities are structured and resolutions of failing firms occur, and instead are geared more to bank reliance on market-driven financing. Additionally, "reduced form" models focus strictly on potential capital shortfalls in a stress scenario, without consideration of the more important role that liquidity plays in maintaining financial stability. The models similarly ignore the elements of loss absorption embedded in insurance liabilities. Other shortcomings include failing to recognize the long-term nature of the life insurance business model, ignoring important risk management considerations, and are not anchored to the channels for transmitting systemic risk the IAIS has embedded as the focal points of the Holistic Framework. To cite one additional and specific defect, SRISK is of limited use as a cross-sectoral risk assessment model. It relies on high frequency market variables and publicly-available data in a manner that excludes asset managers, hedge funds and other sectors entirely. Finally, academics are far from united on the utility of the "reduced-form" approach, with many calling its construction and viability into question—this point was even acknowledged by the IAIS on its public background call. We urge the IAIS to remove the "reduced-form" approach concept and related frameworks from the application paper. While ACLI fully supports jurisdictional implementation of the policy measures and tools underpinning the Holistic Framework, the excessive emphasis on individual insurer assessment in the application paper has raised a concern that the IAIS is tacitly endorsing a practice of designations at entity level which could result in multiple designations within a single group. Such an outcome would present another	 The Holistic Framework, as well as ICP 24, applies to an individual insurer level and a sector-wide level, as it recognises that systemic risk may arise both from collective exposures and activities of insurers at a sector-wide level

		inconsistency with the spirit of the Holistic Framework and broader IAIS emphasis on supervisory cooperation and communication and proportionality in the application of supervision. We believe it is essential that the paper clearly state that it is neither encouraging nor does it believe such an outcome would be appropriate. These areas of concern, as well as additional areas, are further discussed in the more detailed comments included within our overall response. Another concern is the emphasis placed on risk dashboards. Risk dashboards are featured prominently in the application paper, but we question the usefulness of this particular tool. The emphasis given to risk dashboards suggests that all jurisdictions should develop them. We would like to see the application paper clarified to explain that risk dashboards are simply an option for jurisdictions to consider, and that they are not something every jurisdiction needs to pursue. A more substantive flaw of risk dashboards is the potential for risk identifiers to be presented as an agglomeration of data points, without a coherent and demonstrable linkage to emerging risk exposures and transmission channels. This tends to lead its users to conclude that they are achieving a comprehensive, empirically-based view of the risk landscape, when in fact they may be looking at an incomplete, backward-looking picture prone to false precision. Risk dashboards do not take into account the many mitigating factors which may obviate the need for supervisory action that a “blinking” automated risk indicator may suggest. Communication between supervisors and insurers will yield more useful insights than will a risk dashboard. In addition, the paper should be reviewed for compatibility with ICP 24 and the Holistic Framework, as there are several conflicts in the approaches suggested in the paper. ICP 24 emphasizes three forms of macroprudential risk: macroprudential exposure, liquidity risk and counterparty risk. In contrast, the application paper seems to envision a much broader set of risks. To pick one example of many, a trend analysis of the composition of qualified capital resources (paragraph 41) seems to have only a tangential relationship to any of the three forms of risk specified in ICP 24.	as well as from the distress or disorderly failure of an individual insurer. See 2.2 Risk dashboards 3.2 Common quantitative analysis methods The application paper considers macroprudential risks, counterparty liquidity risks as a priority and in fact, both in the body of the text and in the annexes, examples of in-depth analyses with macroprudential purposes are provided. However, they still need to be monitored and considered for the stability of the sector, also

		As guidance on the application of ICP 24 and Macroprudential Supervision, the Application Paper is supposed to serve as a practical interpretation of the Holistic Framework and support jurisdictional implementation. It should therefore reflect the Holistic Framework model and its top-down approach to identification of potential systemic risk, beginning with an emphasis on macroprudential surveillance to identify emerging trends that could indicate a build-up of vulnerabilities that could link to agreed systemic risk transmission channels. With its excessive guidance on assessment of individual insurers and proposed reduced form approaches to individual firm assessment, the Application Paper fails to adequately address the more difficult but critical question of how to set up a system of macroprudential surveillance and supervision at the jurisdictional level to understand cross-jurisdictional implications of potential build-up of vulnerabilities and global trends. The Application Paper therefore does little to advance this very important pillar of the Holistic Framework. We would urge that the application be reviewed in its entirety with a focus on alignment with the risks set forth in ICP 24. A final comment relates to the key role of risk monitoring, and how the IAIS and individual jurisdictions might work better together going forward. One of the main virtues of macroprudential regulation is the opportunities it offers for enhance coordination among insurance supervisors. The IAIS can and should promote this coordination. But individual jurisdictions can and should drive creation of constructs that effectively assess and mitigate macroprudential risks, with the IAIS working to fill in any regulatory gaps at the global level. In the future, we hope that fewer and better designed global data calls will alleviate the expenditure of resources for both insurers and supervisors.	taking into account the evolution of the reference social and economic context 2.1 Consideration of data to collect 5.1 Supervisory response, introduction
Q2 Comment on section 1 Introduction			
Q3 Comment on paragraph 1			
Q4 Comment on paragraph 2			

10. International Actuarial Association	International	The IAA is supportive of the aims of macroprudential supervision as described in this paragraph. Macro-prudential surveillance is vital in gaining a higher-level perspective of cross-sectoral inter-connectivity and transmission of risk. The IAA is supportive of the paper's discussion of both inward and outward transmission of risks but suggests the paragraph concludes with a statement that macroprudential supervision helps the supervisor to Identify systemic risk issues and concentrations of relevance to the insurance sector or wider economy.	Paragraph 2 follows text of ICP 24
Q5 Comment on paragraph 3			
11. The Geneva Association	International	We support the stated objective of the AP in contextualizing macroprudential supervision within the broader holistic framework for systemic risk oversight. To that end, however, we view it as essential to rebalance the substantive guidance within the Application Paper (AP) to more fully emphasize sector wide monitoring rather than the current iteration which predominantly focuses on assessing the systemic importance of individual insurers. As one evident example of the current imbalance, the AP dedicates only a single page to sector-wide systemic risk assessment, while dedicating significantly more of its guidance to assessing individual insurers, including several pages on the introduction of deeply flawed and unproven reduced form approaches that are inconsistent with the guidance in ICP 24 and the focal points of the Holistic Framework.	An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link. The IAIS acknowledges that section 4 of the Paper could be perceived to be somewhat biased towards individual insurer systemic risk assessments. On a global level, limited work and studies have been done on sector-wide systemic risk assessments as past and current experiences have been largely focused on individual insurer assessments. This matter could possibly be considered as a future area of focus for the IAIS as jurisdictions continue to develop methods and techniques over time to enhance their systemic risk assessment frameworks for sector-wide monitoring. Text was added in a new Section 4.3, highlighting the important interplay between systemic risk assessment at the individual insurer level and sector-wide level, and that methods and

			techniques are still in the development phase for sector-wide analysis.
Q6 Comment on paragraph 4			
12. Global Federation of Insurance Association	Global	GFIA appreciates the clear recognition in paragraph 4 that the Application Paper does not establish new standards or expectations, and should not be considered as an exhaustive guide to macroprudential supervision. This is especially important for jurisdictions that have well-developed systems of macroprudential supervision.	Noted
13. American Property Casualty Insurance Association (APCIA)	USA	We appreciate the clear recognition in paragraph 4 that the Application Paper does not establish new standards or expectations and should not be considered as an exhaustive guide to macroprudential supervision. This should especially be the case for jurisdictions that have well-developed systems of macroprudential supervision.	Noted
14. Liberty Mutual Insurance Group	USA	The statement that the paper "does not establish new standards or expectations for the supervisors' implementation of a macroprudential supervision framework" is not supported by the text of the paper. Throughout the document, and particularly in Section 4, the Application Paper calls for new supervisory initiatives which at times contradict previous IAIS guidance.	The paper includes examples of methodologies and measures supervisors may use for macroprudential purposes
15. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Editorial: It should not, however, be considered as an exhaustive guide to macroprudential supervision.	Revision made
XXX. American Council of Life Insurers (ACLI)	USA	ACLI believes introducing the concept of a “reduced-form” approach and endorsing approaches thereto constitutes establishment of “new standards or expectations” given neither are included within the ICPs, ComFrame or Holistic Framework.	Refer to resolution to comment #204
Q7 Comment on paragraph 5			

IAIS

Q8 Comment on section 1.1 Terminology			
Q9 Comment on paragraph 6			
Q10 Comment on section 1.2 Scope of application			
16. Central Bank of Ireland	Ireland	This point could be clarified ("The scope of macroprudential supervision..."). We understand that the point is that supervisors should look at all legal entities in the sector individually as well as combined? It could be worth explicitly calling out that, for macroprudential purposes, "the insurance sector" could be looked at through either a "home" or "host" lens (and ideally both).	Revision made for clarity and alignment with ICP 24
Q11 Comment on paragraph 7			
17. The Geneva Association	International	Paragraph 7 includes the sentence "from a macroprudential point of view and because of the disparity - especially in size - between jurisdictions, analyses conducted at regional level should also be considered in the scope of the Application Paper" ». The IAIS should further define what is meant by "analyses conducted at regional level'.	Region is used to describe more than one jurisdiction or an area within a jurisdiction. Revision made for clarity.
Q12 Comment on paragraph 8			
18. The Geneva Association	International	The overall framing of this section is inconsistent with the introductory guidance of ICP 24. We suggest to change the paragraph so it better aligns with the text in ICP 24.0.3.	Refer to resolution to comment #16
19. Central Bank of Ireland	Ireland	This point could be clarified. We understand that the point is that supervisors should look at all legal entities in the sector individually as well as combined? It could be worth explicitly calling out that, for macroprudential purposes, "the insurance sector" could be looked at through either a "home" or "host" lens (and ideally both).	Refer to resolution to comment #16

XXX. American Council of Life Insurers (ACLI)	USA	The overall framing of this is inconsistent with ICP 24. Paragraph 10 better captures the concept and could benefit from an introductory sentence that reads as follows: "Macroprudential supervision involves the identification, monitoring and assessment of sector-wide vulnerabilities and common exposures in the insurance sector and the risk of amplification and transmission of shocks to the financial system and real economy.“	Refer to resolution to comment #16
Q13 Comment on section 1.3 Proportionality			
20. Global Federation of Insurance Association	Global	The insurance sector appreciates the Application Paper's clear statement that the proportionality principle must be consistently applied to macroprudential supervision, and that nothing in the paper supersedes this principle. GFIA encourages the IAIS to continue to stress the importance of the proportionality concept where there could be ambiguity in sections of the paper about the need for proportionality in the application of macroprudential supervisory measures. The Holistic Framework includes a number of enhancements to micro-prudential measures to mitigate certain risk exposures and increase the resilience of the insurance sector and/or decrease the probability and magnitude of a negative systemic impact where risk does materialise. (Paragraph 48 of the Holistic Framework). Therefore, the guidance on ICP 24 should be drafted in this context and reflect that other measures in the wider framework result in reduced risk, i.e. the guidance surrounding the assessments of the systemic impact of individual insurers should not be as prescriptive or overly engineered as currently drafted. ICP 24 requires assessment of systemic risk in the context of both individual insurers and the sector and these should have at least equal weighting in the guidance, which currently gives more prominence to the assessment of individual insurers.	Noted
21. American Property Casualty Insurance Association (APCIA)	USA	We appreciate the Application Paper's clear statement that the proportionality principle must be applied to macroprudential supervision, and that nothing in the paper supersedes this principle. Where there could be ambiguity in sections of the paper about the need for proportionality in the application of macroprudential supervisory measures, we encourage the IAIS to continue to stress the proportionality concept.	Noted

Q14 Comment on paragraph 9			
Q15 Comment on paragraph 10			
22. Global Federation of Insurance Association	Global	It is GFIA's view that proportionality is not only required with respect to «the nature, scale and complexity of (the) insurance sector's exposures and activities» but also with respect to individual insurers' exposures and activities. Therefore this should be added explicitly.	Agreed, individual insurers are covered under proportionality; the text is a direct quote from ICP 24.0.1
Q16 Comment on section 1.4 Structure			
Q17 Comment on paragraph 11			
Q18 Comment on paragraph 12			
Q19 Comment on section 2 Data collection for macroprudential purposes			
23. Institute of International Finance	United States	As jurisdictions establish their macroprudential frameworks, which we encourage as key to the implementation of the Holistic Framework, the IAIS should seek to leverage to the maximum extent possible the work of the member supervisors in order to avoid requesting similar or multiplicative information that puts an undue and unwarranted burden on both insurers and supervisors. The COVID-19 crisis revealed the significant value of workshops and discussions among supervisors and senior risk managers of insurance groups. These discussions can better reflect current market conditions and concerns and provide valuable forward-looking perspectives than can data calls that collect historical data and may quickly become stale. Workshops and discussions also allow for a focus on desired outcomes, rather than on data points. Stakeholder discussions can also help identify the risk factors that are most relevant to a particular sub-sector of the industry, region, or jurisdiction.	The Paper refers to ICP 25 Supervisory Cooperation and Coordination in section 2.1. Text was added that supervisors should make use of data sets already available and consider the costs and benefits of additional data. Noted
24. Liberty Mutual	USA	The Application Paper's approach to data collection is overly broad. It calls for new and complex approaches to collecting data about insurers and the insurance sector without a proportionate cost-benefit analysis of the value of such data in relation to the IAIS's own	Refer to resolution to comment #23

Insurance Group		recognition of the fact that the insurance industry generally is not susceptible to, nor a transmitter of, systemic risk.	
Q20 Comment on section 2.1 Consideration of data to collect			
25. Global Federation of Insurance Association	Global	The focus appears to be on building a separate monitoring framework with bespoke reports, rather than first considering how supervisors can build on their existing understanding of insurers and information that they already have access to. The potential benefit for supervisors to have additional data that might give them additional valuable insight into the state of the sector needs to always be balanced with the resource demands that expansive data calls place on both insurers and supervisors. In addition, it should be stressed that supervisors should collect data in the least-burdensome way, in light of the cost of data collections to both the insurers and supervisors. GFIA therefore urges the IAIS to amend the paper in such a way that it is explicitly recognized that data collections should have a specific link to supervisory needs and not be overbroad, in line with ICP 24.1.1. GFIA would suggest this paragraph to be amended to include a line which states that: "In line with the objective of proportionality, existing data already provided by the insurer(s) should be leveraged, and where possible reconstituted for other metrics, , before additional, bespoke information is required from the group or legal entity". The IAIS and supervisors should coordinate jurisdictional data calls and IAIS data collections to avoid duplication and burden. Such an approach should be noted in the paper. Furthermore, the paper should state explicitly that supervisors must consider the sensitivity of some insurer information (even in the aggregate) and determine the decision-usefulness and potential for misinterpretation of that information to investors and other users of the information before publishing it.	Refer to resolution to comment #23
26. American Property Casualty	USA	The need for supervisors to have data that gives them an effective, valuable insight into the state of the sector needs to always be balanced with the resource demands that expansive data calls place on both insurers and supervisors. It should be stressed in this	Refer to resolution to comment #23

Insurance Association (APCIA)		paper that supervisors should collect data in the least-burdensome way and continually consider the value of the data to the insurers in light of the cost of data collections to both the insurers and supervisors. We request that the paper recognize explicitly that data collections should have a specific link to supervisory needs and are not overbroad, in line with ICP 24.1.1. We also request that the IAIS and supervisors coordinate jurisdictional data calls and IAIS data collections to avoid duplication and burden. Such an approach should be noted in the paper. Furthermore, the paper should state explicitly that supervisors must consider the sensitivity of some insurer information (even in the aggregate) and determine the decision-usefulness of that information to investors and other users of the information before publishing it. Finally, the paper should suggest that supervisors understand and assess the information already provided by insurers, including the stress testing that is already performed by the insurer itself, summarized in ORSAs, before imposing additional stress testing or scenario analysis requirements.	
Q21 Comment on paragraph 13			
Q22 Comment on paragraph 14			
Q23 Comment on paragraph 15			
27. Global Federation of Insurance Association	Global	GFIA recognizes that the Holistic Framework does not preclude macroprudential supervision of individual insurers, and agrees that macroprudential supervision depends on good quality data. However, the emphasis in the paper on data collection from individual insurers appears to be a symptom of the shift back toward the macroprudential supervision of entities rather than the appropriate balance between the supervision of activities and entities that	Refer to resolution to comment #23 An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24

		was presented in the Holistic Framework. In many jurisdictions, reporting and disclosure requirements for the insurance industry are already very extensive. In order to ensure efficiency and proportionality of data collection for macroprudential purposes, it should be stated that supervisory authorities should primarily make use of the data sets that are already available as stated in ICP 24.1.1. Further, the supervisor should examine costs and benefits when considering data collection. Additional reporting requirements should be avoided wherever possible in order to avoid repeated, redundant collection of the same or materially similar data point and therefore prevent unnecessary burden on insurers. The paragraph refers to the transparency of data collections. Transparency also includes the responsibility of the data collector to inform about the purpose and results of a data collection. The efficiency of data collections should be emphasized, for instance highlighting that data collections should focus on the key necessary data points only and collection of unnecessary (i.e. nice to have, not needed for any supervisory purpose) data or data that is not further analysed should be avoided at all cost. GFIA suggests explicit this in the first bullet point by rephrasing it to add "Data collected should be aligned with supervisory needs and serve one or several specific supervisory purposes". The reference to climate-related risk in the fifth bullet point appears too specific and could be understood in a prescriptive way.	and the AP) as compared to the global level (GME), and how the two link. Text was also added for supervisors to be explicit about the purpose and objectives of data requests Climate risk is included as an example; cyber risk was now added as another example.
28. The Geneva Association	International	-ICP 24.1.1 lists an important point (first bullet) when referring to the efficiency of data collections. This point should not be neglected in the AP but emphasized more ("the supervisor should examine costs and benefits when considering data collection. Data collections should be aligned with their respective usage. The supervisor should first make use of all available data sources and then calibrate its data requests and data processing capabilities"). For instance it should be emphasized that data collections	Refer to resolution to comment #27 The Paper is citing examples for data coverage. Most insurance sectors have high concentration amongst the top insurers (systemic implications). Revision was made to remove

		should focus on the key necessary data points only and collection of unnecessary (i.e., nice to have, not needed for any supervisory purpose) data or data that is not further analyzed should be avoided at all cost. As part of the ICP 24.1.1 requirement for cost/benefit efficient data collections, the rationale and scope of data calls should be reviewed critically from time to time and data points that are not used anymore should not be collected anymore. - The second bullet point of para 15 states that macroprudential supervision data collection activities should be well coordinated. In fact, beyond coordination as a bare minimum, a holistic, integrated approach should be used taking into account readily available data sources (ICP 24.1.1) as well as data collections on jurisdictional and international (e.g., IAIS) level. As ICP 24.1.1 prescribes cost/benefit efficient data collections, the data available through all these sources should be looked at holistically with the aim to avoid repeated, redundant collection of the same or materially similar data points. In addition, the IAIS should better explain how collecting data from other jurisdictions fits into macroprudential supervision. The third bullet states " as an example, this could be based on including at least the top five insurers, or at least 75% of the local insurance market or specific business lines, as appropriate". We believe the IAIS should remove "at least the top five insurers, or" as it arbitrarily emphasizes size of an insurer and is inconsistent with the emphasis ICP 24 and the Holistic Framework establish for sector wide monitoring. - The fifth bullet point refers to data collection and analysis to address emerging risks, such as climate-related risk. The reference to climate-related risk appears too specific and prescriptive and should be removed. - The last bullet point of para 15 points to the transparency of data collections. Transparency also includes the responsibility of the data collector to inform insurers about the purpose and results of a data collection, which should be acknowledged in the AP.	reference to at least the top five insurers to address sensitivity that the example arbitrarily emphasises size. It is supervisors' discretion to choose coverage.
29. The Life Insurance	Japan	- Although ICP 24.1.1 states supervisors should examine the efficiency, costs and benefits when considering data collection, Paragraph 15 does not stipulate that these	Refer to resolution to comment #27

Association of Japan		points be considered for data collection. In this regard, we understand that there is room for further improvement of efficiency in the IAIS data collection for assessing the impact of Covid-19 among individual insurance companies, which began last year, by utilizing data requested by local supervisors and public information. Therefore, we would like to confirm the efficiency, costs and benefits stated in ICP 24.1.1 will also be fully considered when applying the Application Paper. - As for the reference to climate-related risk in the fifth bullet point, to address such emerging risks, it should be noted in the Application Paper that "supervisors should provide insurance companies with sufficient preparation time and prior discussion when ad-hoc data collection and analysis are conducted to address emerging risks".	In addition, there are general processes around supervisory reporting explained in ICP 9.
30. American Property Casualty Insurance Association (APCIA)	USA	While we recognize that the activities-based approach did not preclude macroprudential supervision of individual insurers, the emphasis on data collection from individual insurers here is, we believe, a symptom of the shift back toward the entity-based approach rather than the supervision of activities that was presented in the activities-based approach, per our comment in response to Question 1.	The section applies to an individual insurer level and a sector-wide level consistent with ICP 24; both approaches could be useful to supervisors from a macroprudential perspective
XXX. American Council of Life Insurers (ACLI)	USA	This paragraph would benefit for greater illumination on when and how collecting data from other jurisdictions fits into macroprudential supervision of a jurisdiction. The example of data coverage including at least the top 5 insurers or at least 75% of the local insurance market is arbitrary and should be removed. It has no connection to activities or measures that may trigger/transmit systemic risk, which are emphasized as key considerations in paragraph 16 – "… indicators to support the assessment of liquidity risk, macroeconomic exposure, counterparty risk, as well as cross-sectoral indicators"	Refer to resolution to comment #28
Q24 Comment on paragraph 16			
Q25 Comment on section 2.2 Risk dashboard for monitoring key macroprudential indicators			
31. Global Federation of	Global	GFIA recognizes that the Holistic Framework does not preclude macroprudential supervision of individual insurers. However, the emphasis on data collection from	Refer to resolution to comment #30

Insurance Association		individual insurers in the paper appears to be a symptom of the shift back toward the supervision of entities rather than the supervision of activities and entities that was presented in the Holistic Framework .	
32. The Geneva Association	International	Section 2.2: The lengthy section about risk dashboards appears to be based on the practices of two jurisdictions (one of which is the EU). This does not appear to be an adequate experience base for an IAIS paper to imply these are best or even typical practices. Therefore, terminology such as "widely accepted" (paragraph 25) is misleading. Similarly, paragraph 25 describes one of the approaches for risk assessment scales as "widely accepted," and paragraph 29 uses the term "most risk dashboards." Given that only two examples of supervisory risk dashboards appear to exist, this descriptive language does not seem appropriate. In addition, the paper uses language such as «jurisdictions should », which could be understood as an expectation for supervisors to implement risk dashboard - this goes beyond the intent of ICP 24. In practice, there are important caveats and potential shortcomings to over-reliance on tools such as risk dashboards. For one, dashboards are prone to anchoring bias (eg, over-focusing on data that was explanatory for a prior stress event), and therefore might not anticipate emerging risk trends that follow a different vector not captured appropriately by the data. In this case, reliance on a risk dashboard might give supervisors a false sense of comfort or complacency (ie, false negatives) ; alternatively, if a dashboard were to trigger actions in cases where there are no discernible underlying issues (ie, false positives), then their usage might inadvertently create pressures that otherwise are not material.	Revisions were made to be more general and recognise that there are many different approaches supervisors may employ
33. American Property Casualty Insurance Association (APCIA)	USA	While we recognize that the activities-based approach did not preclude macroprudential supervision of individual insurers, the emphasis on individual insurers in the risk dashboard is, we believe, a symptom of the shift back toward the entity-based approach rather than the supervision of activities that was presented in the activities-based approach, per our comment in response to Question 1.	An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link.
34. Liberty Mutual	USA	Section 2.2 advocates for the use of dashboards as an effective supervisory tool. We disagree.	Risk dashboards can be effective early warning signals. Again, Application Papers are not

Insurance Group		Dashboards may give supervisors the impression that their supervisory frameworks would not be adequately robust without a dashboard. Supervisors should have the flexibility and discretion to craft supervisory tools that best meet their needs and supervisory goals and reflect the characteristics of the insurance market in their jurisdictions. Moreover, the discussion in this section implicitly encourages supervisors to design expansive dashboards addressing wide ranging risks. If dashboards are to be effective, they should be carefully designed to contain only relevant information.	meant to be prescriptive; it is merely provided as an example of a tool. Supervisors have the flexibility and discretion what to employ.
XXX. American Council of Life Insurers (ACLI)	USA	The lengthy section about risk dashboards appears to be based on the practices of two jurisdictions, which does not appear to be an adequate experience base for an IAIS paper to imply these are best or even typical practices. Therefore, terminology such as “widely accepted” (paragraph 25) is misleading and should be revised. Similarly, paragraph 29 uses the term “most risk dashboards.” Given that only two examples of supervisory risk dashboards appear to exist, this descriptive language does not seem appropriate.	Refer to resolution to comment #32
Q26 Comment on paragraph 17			
Q27 Comment on paragraph 18			
35. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Suggest moving this statement to be the first in the paragraph with edits below: A risk dashboard is a descriptive data tool aimed at regularly assessing relevant risks and trends.	Revision made
Q28 Comment on paragraph 19			
36. The Geneva Association	International	Although the AP appropriately promotes the use of both qualitative and quantitative information, we are concerned that the description of risk dashboards largely implies a predominantly quantitative framework. While data analysis should inform macroprudential monitoring, the AP should acknowledge the inherent limitations of using market-based	Noted

		metrics (ie, prone to volatility, false positives / negatives, and statistical uncertainty in deriving fundamental risk metrics) and financial statement information which may not be relevant or useful during a stress period.	
37. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Editorial: The frequency of updating may depend on the availability of data, the stage of the financial cycle and other market developments or impending disruptions.	Revision made
Q29 Comment on paragraph 20			
Q30 Comment on paragraph 21			
38. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Editorial: The remainder of this section provides general guidance and examples on the construction and use of a risk dashboard. As concrete examples, Annex 2 provides the risk dashboards used by South Africa and EIOPA.	Revision made that captures intent
Q31 Comment on section 2.2.1 Constructing a risk dashboard			
39. Global Federation of Insurance Association	Global	This section presents the risk dashboard as one example of a method for monitoring key macroprudential indicators. However, the facts that (i) no other example next to this is presented, (ii) the risk dashboard method is explained in very much detail over more than two pages and (iii) language is used such as "It is good practice…." (Para 22) and "Jurisdictions should…" (Para 23) could be understood as a push or expectation for supervisors to implement risk dashboards. This clearly goes beyond ICP 24 and the fact that supervisors have the freedom to implement the tools they deem most appropriate for their purposes.	It is agreed that supervisors have the freedom to implement the tools they deem most appropriate for their purposes. Revisions were made to reinforce this flexibility.
Q32 Comment on paragraph 22			
Q33 Comment on paragraph 23			

Q34 Comment on paragraph 24			
40. International Actuarial Association	International	As noted in the answer to Q1, in the IAA's view, more detail could usefully be given on the choice of key risk indicators. It is suggested that an indicator might be "how the industry is perceived by financial markets" but there is no explanation of how this qualitative information might be collected or used.	The reference "how the industry is perceived by financial markets" was deleted and replaced with text on further granularity within each main category
41. The Geneva Association	International	This paragraph indicates that key risk indicators within a risk dashboard indicate "how the insurance industry is perceived by financial markets." It is unclear which risk indicators other than credit spreads and share prices would reflect financial market perceptions. We suggest deleting the sentence "including indicators displaying how the insurance industry is perceived by financial markets"	Refer to resolution to comment #40
42. General Insurance Association of Japan	Japan	With regard to risk dashboards, while it is stated that "Indicators may be based on a combination of publicly available (market) data and supervisory reporting data", we believe that in principle any data used for a risk dashboard should be based on information that is in the public domain and supervisory report information that has already been collected. Insurers should not be unduly burdened by supervisory information collecting that is disproportionate to objectives such as analyzing past trends and future forecasts, so we propose adding provisions to this effect towards the end of paragraph 24.	Noted Revision was made for indicators to be in alignment with objectives.
XXX. American Council of Life Insurers (ACLI)	USA	Paragraph 24 indicates that key risk indicators within a risk dashboard suggest "how the insurance industry is perceived by financial markets." It is unclear which risk indicators other than credit spreads and share prices would reflect financial market perceptions or how they would enhance an assessment the key areas of focus outlined in the Holistic Framework – i.e., liquidity risk, macroeconomic exposure, and counterparty risk,. Further, emphasis on these indicators has other shortcomings such as gaps between stock and mutual companies, potential volatility, etc. For these reasons, ACLI believes this reference should be removed from the Application Paper.	Refer to resolution to comment #40
Q35 Comment on paragraph 25			

43. International Actuarial Association	International	It is not clear to the IAA how a risk assessment scale might be calibrated - the paper says that: - "The scale may be based on the historical distribution. "but there is no discussion on the need to understand the applicability or accuracy of historical data. - "supervisors should use expert judgement and/or statistical means… " - the IAA believes it would be helpful to expand on this, possibly with some practical examples - "some risk indicators may not lend themselves to historical distributions .."- the IAA believes it would be helpful to go into some more detail on why this may be the case - "..and the assessment scale may be qualitative or subjective in nature" - it would be useful to explain the implications of this	Suggestions are too granular for the purposes of this Paper
44. General Insurance Association of Japan	Japan	Although the risk dashboard described in paragraph 25 is used by supervisors to monitor the sector, sharing with the insurance industry what quantitative and qualitative information are included in a dashboard including both indicators and criteria, as well as what supervisory actions will be taken based on it will assist risk management of insurers and the wider sector. We propose adding provisions to this effect within this paragraph. We would also propose to add that careful attention should be paid to public disclosure so that individual insurers are not identified.	It's an aggregate assessment; transparency is addressed in section 2.1
Q36 Comment on paragraph 26			
45. International Actuarial Association	International	The IAA suggests adding in some more detail on considerations for deriving weights for each indicator. Adjusting the weight down of indicators that are highly correlated can be justified to avoid any overlap over the indicators, but those indicators might on the contrary be adjusted up in order to represent any tail correlation and systemic risk. The IAA believes it would be useful to consider both situations.	Suggestions are too granular for the purposes of this Paper
46. The Geneva Association	International	This paragraph suggests that risk dashboard scores "reflect the riskiness of the insurance sector from a financial stability perspective". Given that risk dashboard indicators appear to reflect only system-to-firm risk, such a conclusion is not necessarily valid. It is possible for one or for multiple insurers to fail without disruption to financial stability. It would be more accurate to conclude that a dashboard signals the risk factors that, in the judgment of the supervisory authority, could lead to financial distress in one or more insurers.	Revisions were made to address concern and reference to financial stability perspective was deleted

		Moreover, we are concerned that the AP describes risk scores as reliable indicators that can meaningfully discern emerging risk trends and be precisely calibrated, in the form of specific weight parameters. In practice, the development of risk scores will involve considerable supervisory judgment and statistical uncertainty, as acknowledged to some degree in paragraph 25.	
47. Central Bank of Ireland	Ireland	Perhaps an extra point merited here around the assessment of scale being transparent and consistent over time.	Revision made to address transparency. Risk levels may change over time depending on circumstances.
48. General Insurance Association of Japan	Japan	Regarding risk dashboards, it is useful to set risk scores, thresholds, and determine the relevance of each category of risk indicators through dialogue with insurers. We propose adding provisions to this effect in paragraph 26.	It is agreed that dialogue between supervisors and an insurer is implicit and should take place on an on-going basis.
XXX. American Council of Life Insurers (ACLI)	USA	Paragraph 26 suggests that risk dashboard scores "reflect the riskiness of the insurance sector from a financial stability perspective." Given that risk dashboard indicators appear to reflect only system-to-firm risk, such a conclusion is not necessarily valid. It is possible for one or multiple insurers to fail without disruption to financial stability. It would be more accurate to conclude that a dashboard signals the risk factors that, in the judgment of the supervisory authority, could lead to financial distress in one or more insurers.	Refer to resolution to comment #46
Q37 Comment on paragraph 27			
49. International Actuarial Association	International	It would be useful to add some guidance as to the relevant time horizon to infer a trend depending on the risk considered and what would be good practice if there were to be a change in methodology.	Suggestions are too granular for the purposes of this Paper
50. National Association of Insurance	USA, NAIC	Editorial: Trends typically reflect the behaviour of the risk by indicating how a certain exposure or indicator has developed over time.	Revision made

Commissioners (NAIC)			
Q38 Comment on section 2.2.2 The use of a risk dashboard			
Q39 Comment on paragraph 28			
51. General Insurance Association of Japan	Japan	Referring to "2.2 Risk dashboard for monitoring key macroprudential indicators", we understand that the risk dashboard described in the AP is a supervisory tool for ensuring sector-wide prudence and preventing sector-wide systemic risk. In paragraph 28 it is stated that "A risk dashboard should… be used to identify interplays between sector-wide risks identified in the dashboard to individual insurer analysis". However, as mentioned above, it is our understanding that risk dashboards are basically not used to supervise individual insurers. As such, if it is indeed to be used for supervision of individual insurers, clear usage criteria should be included in the AP.	Individual risk dashboards are not required; the term "should" was revised to "may"
Q40 Comment on paragraph 29			
52. International Actuarial Association	International	The IAA does not understand why a risk dashboard would be used as a tool to document analyses of the insurance sector and financial markets. The risk dashboard may be part of the analysis but usually the risk dashboard is the starting point for further work (perhaps as described in paragraph 30) to understand more what is happening in specific parts of the dashboard.	Revisions made to reflect that risk dashboards are a tool to compile data to perform analysis; playing a role in analysis and a starting point for further work
Q41 Comment on paragraph 30			
53. The Geneva Association	International	This paragraph states "supervisors may also consider using the risk dashboard in a top-down, risk-focused, supervisory approach". We do not believe it is appropriate to use dashboards as a basis for targeting individual insurers for heightened supervision or as an indicator of their systemic relevance as, given their broad nature, they will not be able to adequately account for factors that must be considered when assessing the extent to which an insurer may pose a threat to the financial system. In addition, the emphasis on channelling resources to identifying individual insurers is problematic in light of the	We do not state or infer that supervisors should use sector-wide dashboards to target individual insurers for heightened supervision and decisions on how to channel supervisory resources. When examining an individual insurer the supervisor should be aware of the

		Holistic Framework, emphasis on sectorwide monitoring in ICP 24, suspension of firm designations (pursuant to an FSB decision in 2022), etc. We suggest to remove or revise the language in this paragraph.	broad market the insurer operates in. Revisions were made to reflect this.
XXX. American Council of Life Insurers (ACLI)	USA	ACLI disagrees with the IAIS' assertion that supervisors should use sector-wide dashboards to target individual insurers for heightened supervision and decisions on how to channel supervisory resources. While dashboards can provide a snapshot of various indicators at a point in time, they will inevitably fail to adequately account for factors that would need to be considered when assessing the level of risk an insurer poses to the financial system of a jurisdiction. More broadly, the suggestion that supervisors focus on identifying individual insurers is inconsistent with ICP 24.3, and 24.3.1 in particular which notes "The supervisor should take a total balance sheet approach (see ICP 16 Enterprise Risk Management for Solvency Purposes) when considering the potential systemic importance of an insurer". For these reasons, ACLI believes this statement should be removed.	Refer to resolution to comment #53
Q42 Comment on paragraph 31			
Q43 Comment on section 3 Insurance sector analysis			
54. Institute of International Finance	United States	Supervisors should review the results of insurers' stress testing before conducting their own exercises. Insurers are better placed to understand and reflect in their stress tests the risks most relevant to the company. The results of stress testing should be interpreted carefully, using solid data analysis and contextual information to inform any supervisory conclusions. It is important that the Draft AP acknowledge that, while uniform supervisory stress tests and scenario analyses may facilitate comparability, they are not well suited for pinpointing the material risks and exposures of individual insurer business models. The results of a uniform supervisory stress test should be reviewed in conjunction with company-conducted analyses and other company sources of information. As further discussed in our comments on transparency, the results of supervisory stress tests should not be disclosed publicly, as this could have destabilizing market impacts.	This is in line with the spirit of the AP. The paper considers the stress test a valid analysis tool to identify and monitor the vulnerabilities of the company and the insurance market. It is therefore a tool for the company above all and for the supervisor in order to increase the knowledge of both.

		The timing of stress tests and scenario analyses is also important; when market stresses arise, insurers should first be permitted to address and manage the stress situation at hand without the additional burden of supervisory data calls, stress tests and scenario analyses. Furthermore, in the aftermath of market stresses supervisors can look to the real data sets generated by that event, as with the COVID-19 crisis, instead of relying on theoretical stress events.	Any form of disclosure included in the text is not individual but emphasises the results in general terms, that could be useful for the market itself.
Q44 Comment on section 3.1 Steps and approaches for insurance sector analysis			
55. Liberty Mutual Insurance Group	USA	Section 3.1 offers examples of macroprudential analysis methods. Almost without exception, the proposed methodologies would be burdensome and time consuming for both supervisors and companies. More targeted, pragmatic, and cost-effective analytic tools must be considered.	The proportionality principle applies to all IAIS supervisory and supporting material and as such must also be taken into account for Section 3. Section 3 provides a non-exhaustive list of examples of macroprudential analysis methods, to support the implementation of ICP 24.2. Supervisors can decide on the most appropriate method of analysis to use, depending on jurisdictional needs
Q45 Comment on paragraph 32			
56. Global Federation of Insurance Association	Global	The insurance sector supports the IAIS's approach to provide examples of methods to analyse systemic risk in the insurance sector combined with letting supervisors choose the methods most appropriate for their jurisdictions.	Noted
57. International Actuarial Association	International	This is another paragraph where the IAA believes that more detail would be helpful to explain the considerations supervisors might take into account in deciding on the most appropriate method of analysis to use.	The Paper is not intended to prescribe which method of analysis is better, as this would largely depend on supervisors' needs and data availability. Instead, the purpose of this Paper is to suggest a range of possibilities that supervisors may consider, to broaden knowledge on the insurance market and for

			supervisors to put in place (directly or indirectly), when implementing ICP 24.2. Every jurisdiction has its specificity and the supervisor should be able to evaluate which tool best captures the vulnerabilities.
58. American Property Casualty Insurance Association (APCIA)	USA	We appreciate that the paper is explicit that supervisors should choose the macroprudential analysis methods that works best for their jurisdictions.	Noted
Q46 Comment on paragraph 33			
59. The Geneva Association	International	Paragraph 33 states that the purpose of this application paper includes "for supervisors to put in place (directly or indirectly) various mitigating actions to limit systemic risk". Furthermore, footnote 3 states that examples of indirect actions can be expectations or recommendations to insurers whose behaviour can influence the insurance market leading to a containment of a specific risk. This example is overly prescriptive and would permit an excessively wide range of administrative intervention rights in the name of reducing systemic risk. We request the deletion of this example.	The footnote was deleted
60. The Life Insurance Association of Japan	Japan	- As "the purpose of this Paper", Paragraph 33 states "and for supervisors to put in place (directly or indirectly) mitigating actions to limit systemic risk". - In addition, for "examples of indirect actions", Footnote 3 illustrates "expectations or recommendations to insurers whose behaviour can influence the insurance market leading to a containment of a specific risk". - These descriptions can be interpreted as an "indirect intervention measure" by the supervisors (Japan FSA), which broadly permits them to exercise direct or indirect influence on the management of insurance companies in the name of reducing systemic	Refer to resolution to comment #59

		risk. - Therefore, we would like to propose these descriptions be deleted and confirm the proportionality principle stated in the ICP Introduction and Paragraph 9 are given priority over the statement in Paragraph 33.	
Q47 Comment on paragraph 34			
Q48 Comment on paragraph 35			
Q49 Comment on paragraph 36			
61. Global Federation of Insurance Association	Global	The analysis of second round effects, though in principle desirable, will often be very complex and subject to uncertainties and interpretation difficulties. Therefore, a careful balancing of costs, risks and benefits of such analyses is needed. The limitations of second round-effect analyses should be fully taken into account, and an overloading of the analytical framework should be avoided. It should be once again stressed that the emphasis on data collection from individual insurers in the paper appears to be a symptom of the shift back toward the supervision of entities rather than the balanced supervision of activities and entities that was presented in the Holistic Framework.	Noted The section applies to an individual insurer level and a sector-wide level consistent with the holistic framework and ICP 24; both approaches are needed for a holistic approach to systemic risk assessment
62. International Actuarial Association	International	This paragraph attempts to cover quite a lot in terms of risk assessment in a relatively short space and gives a couple of quite specific example such as "second-round effects that resulted in premium increases". The IAA believes this section could be developed to talk more about the risk assessment process itself, which might then be illustrated with some examples.	The purpose of the Paper is to consider risks connected with social, financial and economic developments in general, which evolve continuously. They are also linked to jurisdictional specificities. Examining the evaluation process could provide counterproductive indications

63. The Geneva Association	International	The second to last sentence of this paragraph reads "The analysis of insurance indicators and data elements (mentioned in Section 2 and Annex 1) may be performed individually or aggregated". Given that macro focus should be on reviewing on an aggregate basis we suggest performing the review of individual insurers on an as needed basis We believe the third sentence of this paragraph should be rewritten as follows - "An outward risk assessment of second-round effects induced by endogenous factors, following actions taken by financial institutions, households, regulators and/or policy-makers in response to an initial shock or scenario could be performed"	Some revisions made for clarity and alignment with the scope of ICP24, which includes assessment at individual insurer and sector-wide level. Revision was made as suggested
64. Central Bank of Ireland	Ireland	Definitions in paragraph 2 vulnerabilities of individual insurers and the insurance sector to shocks from the external environment (inward risks) the build-up of systemic risk at the individual insurer level or within the sector as a whole that may be transmitted to the external environment (outward risks) This sentence is somewhat convoluted ("An outward risk assessment...") and should be redrafted - Outward risk = transmitted from the insurance company. Induced by endogenous factors = having internal cause Actions taken by… external parties? In response to an initial shock / scenario (presumably external)? This example ("An inward risk...") doesn't seem like an inward risk	Paragraph 2 is not directly referred to Section 3 but still closely connected. The text is consistent with ICP 24.2.9 and the aim is to perform analysis of financial markets and the insurance sector in order to analyse and understand the evolution of both inward and outward risks. In order to better clarify the Paper, paragraph 2 highlights the consistency with the ICP that explains, in practical terms, that assessing inward risks refers to the extent insurers may be exposed to, or vulnerable to, a certain risk within the insurance sector, whereas the outward risk refers to the situation in which these vulnerabilities would generate externalities which may then propagate to other financial markets or the real economy. Section 3 introduces some proposals to understand the effects, on inward and outwards risks as well, taking into account also the second round effects.

65. General Insurance Association of Japan	Japan	We would like to point out that analysis of new or sudden events also needs to take into account more qualitative analysis as described in this paragraph. In addition, supervisors should not require insurers to conduct hypothetical analyses of excessive scenarios, or to hastily collect data even under emergency circumstances.	Refer to resolution to comment #57
66. American Property Casualty Insurance Association (APCIA)	USA	The analysis of second round effects, though in principle desirable, will often be very complex and subject to uncertainties and interpretation difficulties. Therefore, a careful balancing of costs, risks and benefits of such analyses is needed. The limitations of second round-effect analyses should be fully taken into account, and an overloading of the analytical framework should be avoided. While we recognize that the activities-based approach did not preclude macroprudential supervision of individual insurers, we believe the emphasis on analysis of individual insurers here is a symptom of the shift back toward the entity-based approach rather than the supervision of activities that was presented in the activities-based approach, per our comment in response to Question 1.	Refer to resolution to comment #61
67. Liberty Mutual Insurance Group	USA	Paragraph 36 is a good example of the Application Paper's overbroad and impractical guidance to supervisors. It advises that supervisors "should assess" inward risks, outward risks, second-round effects, endogenous factors, initial shocks, and to apply both qualitative and quantitative assessment tools in doing so. This dizzying array of duties … the Application Paper, in an understatement, says "such analysis may be complex"… is simply beyond the capabilities of most insurance supervisors and is not justified on a cost-benefit basis.	Noted
XXX. American Council of Life Insurers (ACLI)	USA	ACLI believes the third sentence of this paragraph should be revised as follows to recognize that, similar to policy-maker actions, the actions of regulators can also give rise to adverse or unintended consequences – "An outward risk assessment of second-round effects induced by endogenous factors, following actions taken by financial institutions, households, regulators and/or policy-makers in response to an initial shock or scenario could be performed.	Refer to resolution to comment #63
Q50 Comment on paragraph 37			

68. International Actuarial Association	International	Similarly, this paragraph mentions that "supervisors should apply qualitative and quantitative methods of analysis" without explaining the uses, advantages or disadvantages of either method.	Refer to resolution to comment #57
Q51 Comment on paragraph 38			
69. International Actuarial Association	International	An extra topic that could be subject to an in-depth analysis is cyber risk.	Cyber risk was added as an example used for development of systems and processes to address evolving risks in Section 2.1
Q52 Comment on paragraph 39			
Q53 Comment on paragraph 40			
70. Global Federation of Insurance Association	Global	This paragraph mentions impact analysis without a definition being given and without further reference in the Application Paper. Therefore GFIA suggests deleting this reference.	Revision was made as suggested
71. The Geneva Association	International	This paragraph mentions impact analysis without a definition being given and without further reference in the Application Paper. We hence suggest deleting this reference.	Refer to resolution to comment #70
72. Central Bank of Ireland	Ireland	We would question the use of the word "unforeseen" - if it is truly unforeseen, then you haven't included it in the stress-test/impact-assessment. Perhaps something like "low likelihood, high impact" would be better	Revision was made as suggested
Q54 Comment on section 3.2 Common quantitative analysis methods			
Q55 Comment on section 3.2.1 Trend analysis			
Q56 Comment on paragraph 41			

73. International Actuarial Association	International	It is not clear how the key insurance and financial variables suggested would be used in the context of insurance sector risk analysis - for example, Return on Equity. Perhaps for each of the variables there could be a short commentary on their usage	Refer to resolution to comment #57
74. The Geneva Association	International	It would be helpful if the IAIS could provide further guidance on how they expect supervisors to conduct cross market and cross-sectoral trending analysis (e.g., what indicators, data points, etc. could merit attention) and the insights they could expect to obtain.	Refer to resolution to comment #57
75. Central Bank of Ireland	Ireland	Consider adding lapse rates; reinsurance exposures; dividends paid out/capital paid in; Capital generation (and sources); New business volumes shown per business line (especially annuities, WP, UL, etc) We would suggest that profitability and capital strength indicators are separated as they have relatively little in common Calendar year versus accident year; disaggregated e.g. expenses versus claims; prior year reserve adjustments "noise" to be taken into account Does this mean Market Cap? ("Equity prices")	Agree that many other aspects need to be taken into consideration by the supervisor in determining the depth of trend analysis. The examples mentioned in the Paper are not exhaustive. Revisions were made for clarification
76. General Insurance Association of Japan	Japan	As described in paragraph 44, "Data relevant for risks to the insurance sector", each indicator related to trend analysis described in paragraph 41 should be analyzed together with the indicator related to risk amount. For the risk amount, the indicator used for economic value-based capital regulation may be regarded as comparable, but when using the ICS standard method for example, it should be noted that there may be a divergence between the risk amount derived from internal models used by insurance companies and the actual situation.	Noted
XXX. American Council of Life Insurers (ACLI)	USA	We do not object to regulators understanding what is occurring in other jurisdictions. This should be an ancillary point and, given the heterogeneity of insurance markets, the usefulness or applicability of what is happening elsewhere should not be overstated.	Noted

Q57 Comment on paragraph 42			
77. Global Federation of Insurance Association	Global	This paragraph suggests analyses of the main historical trends to be carried out quarterly, semi-annually or annually depending on the availability of data. Instead of making the decision about an appropriate frequency of analyses dependent on the frequency the underlying data is updated, supervisors should start with what frequency is required for achieving their supervisory objective and a cost/benefit consideration (i.e. not performing quarterly analyses just because quarterly data is available).	Refer to resolution to comment #57
78. International Actuarial Association	International	It is clear that trends can be monitored with different frequencies but again there could be additional commentary of what data might be looked at more or less often.	Refer to resolution to comment #57
79. The Geneva Association	International	This paragraph suggests analyses of the main historical trends to be carried out quarterly, semi-annually or annually depending on the availability of data. The frequency required for achieving supervisory objectives should include and a cost/benefit consideration and be proportionate	Refer to resolution to comment #77
Q58 Comment on paragraph 43			
Q59 Comment on paragraph 44			
Q60 Comment on paragraph 45			
80. International Actuarial Association	International	The concept of resilience should be further clarified: does it refer to any recovery plan in case of regulatory capital breach and its feasibility?	The term "resilience" is clarified in a footnote. In principle, it can include numerous aspects that imply the ability of the market to maintain a safe position in terms of solvency and liquidity and the capability to guarantee performance and stability of the insurance market.

			In this paragraph it does not necessarily relate to recovery plans, although recovery plans do provide insight into the measures and actions that insurers could put in place to guarantee prudential requirements
Q61 Comment on section 3.2.2 Stress testing			
81. Global Federation of Insurance Association	Global	In some jurisdictions insurers may required to recapitalize or reduce their risk exposure to meet specific scenarios if stress tests are conducted by the supervisors. Regardless of the situation at national level, scenarios need to be well thought out so that it is neither an excessively large nor long-term event, but a reasonably probable event. In addition, when forming the scenarios, the basis should be clearly stated such as whether insurance companies are considered as a going concern, or avoiding resolution. GFIA proposes to clarify in the paper that supervisors should consider and address the above proposals.	The purpose of the paper is to identify plausible scenarios that could compromise the solvency of the company or the sector as a whole. Revisions were made for clarification
82. The Geneva Association	International	We would need to distinguish between stress-testing as a tool to find the limits of the industry or to monitor exposures (e.g. climate stress tests) and stress-tests used in the context of a capital-setting exercise. If used in a capital-setting context, scenarios would need to be reasonable in terms of severity and timescales so that it is neither an excessively large nor long-term event. Changes required to capital or exposures should be commensurate with the risk profile of an insurer. E.g. an insurer should not have to make alterations (certainly nothing significant) for a 1 :500 year scenario which shows weaknesses, but maybe should for a 1 :10 scenario which shows weaknesses. In addition, when forming the scenarios, the basis should be clearly stated such as whether insurance companies are considered as a going concern or avoiding resolution. We propose adding the abovementioned dimensions of stress testing to this AP as matters which supervisors should consider and address.	Refer to resolution to comment #81
83. General Insurance	Japan	We think that insurers may be required to recapitalize or reduce their risk exposure to meet specific scenarios if stress tests are conducted by the supervisors.	Refer to resolution to comment #81

Association of Japan		Therefore, scenarios need to be well thought out so that it is neither an excessively large nor long-term event, but a reasonably probable event. In addition, when forming the scenarios, the basis should be clearly stated such as whether insurance companies are considered as a going concern, or avoiding resolution. We propose adding the above two points to this AP as matters which supervisors should consider and address.	
84. American Property Casualty Insurance Association (APCIA)	USA	Supervisors in many cases could leverage the information they already receive from insurers, including the stress testing contained in an insurer's ORSA, in lieu of imposing additional stress testing or scenario analysis requirements.	Agree the consideration as well as the autonomy of the supervisor to evaluate the necessary depth of analysis to measure specific vulnerabilities. This concept is clearly expressed in the text of the Paper.
85. Liberty Mutual Insurance Group	USA	Section 3.2.2. proposes that supervisors design their own stress tests which then insurers must employ under a so-called "bottom-up approach", or in the alternative, a "top-down approach" in which "supervisors essentially run the entire analysis themselves." Neither approach is practical. Designing and administering such tests would require supervisors to develop (or purchase) expertise that, respectfully, does not exist to the best of our knowledge at any U.S. state insurance department or the NAIC. Applying such tests, if ever designed, would be expensive and time consuming for insurers. The Application Paper somewhat acknowledges this possibility, but its alternative is for supervisors to be able to regulate the type of stress tests used by insurers and require that different insurers use "a uniform set of data and apply uniform scenarios" in order to achieve "comparablity" among stress tests. This focus on comparability dilutes the degree to which a individual insurer's stress tests are informative. Regulating the type of stress tests insurers use to evaluate their risks is outside the scope of a U.S. supervisor's statutory authority and even if authorized, would require	Experiences from other supervisors are very useful. The Paper provides good insights in this regard.

		hiring (or contracting for) new expertise that even the most seasoned insurance departments do not currently have.	
Q62 Comment on paragraph 46			
86. American Property Casualty Insurance Association (APCIA)	USA	While we recognize that the activities-based approach did not preclude macroprudential supervision of individual insurers, we believe the emphasis on stress testing individual insurers here is a symptom of the shift back toward the supervision of entities rather than the supervision of activities that was presented in the activities-based approach, per our comment in response to Question 1.	The section applies to an individual insurer level and a sector-wide level consistent with the holistic framework and ICP 24; both approaches are needed for a holistic approach to systemic risk assessment
Q63 Comment on paragraph 47			
87. Global Federation of Insurance Association	Global	The insurance sector welcomes that the stress tests should be fully integrated in a jurisdiction's supervisory framework and not be considered as a stand-alone exercise. For example, the insurance stress test for European insurers should be in line with Solvency II, and should not be considered as a pass-or-fail exercise for the participating insurers.	Noted
88. The Geneva Association	International	This paragraph indicates that assumptions used in stress testing exercises "should always be confirmed and verified especially for forward-looking perspectives." It is unclear which assumptions the paragraph is referring to - i.e., The insurer's assumptions or the supervisor's assumptions? - and what assumptions exist other than those that relate to "forward-looking perspectives"?	Supervisors always need to take into account the evolution of the economic and social situations. In this sense the stress thresholds must always be assessed in order to be reasonable.
XXX. American Council of Life Insurers (ACLI)	USA	Paragraph 47 indicates that assumptions used in stress testing exercises “should always be confirmed and verified especially for forward-looking perspectives.” It is unclear which assumptions the paragraph is referring to – i.e., the insurer’s assumptions or the supervisor’s assumptions? – and what assumptions exist other than those that relate to “forward-looking perspectives”.	Refer to resolution to comment #88

Q64 Comment on paragraph 48			
89. Liberty Mutual Insurance Group	USA	Paragraph 48 calls for supervisors to "have in place an appropriate form of stress testing which is applied to the insurance sector". Liberty Mutual disagrees. It is reasonable for supervisors to understand the form of stress tests individual insurers use, because stress tests may provide meaningful information with respect to an individual insurer. However, is it impractical for supervisors to attempt to stress test the entire sector.	Refer to resolution to comment #88. In addition, supervisors should consider the level of in-depth analysis necessary in order to evaluate the risk of the vulnerability of the national insurance sector.
Q65 Comment on paragraph 49			
90. The Geneva Association	International	Paragraph 49 recommends, "insurance stress tests should have a common set of characteristics that define best practices…". It is unclear to whom this direction is given. It also may conflict with paragraph 4 by establishing new expectations. We suggest clarifying the intent of this paragraph.	Revision was made
91. General Insurance Association of Japan	Japan	While it is stated that "Insurance stress tests should have a common set of characteristics that define best practices", stress test content should be considered based on the situation of each jurisdiction at that moment in time, and what is meant by "a common set of characteristics that define best practices" seems unclear. Therefore, this paragraph should be deleted or revised for clarification as follows: Insurance stress tests should have a common set of characteristics on how they are being conducted, the approach and the data that are being used, the frequency at which the test is being conducted, market coverage and the technical structure/features/specifications of the tests.	Refer to resolution to comment #90
XXX. American Council of Life Insurers (ACLI)	USA	Paragraph 49 recommends, "insurance stress tests should have a common set of characteristics that define best practices…" It is unclear to whom this direction is given. It also may conflict with paragraph 4 by establishing new expectations. This paragraph may be conveying the potential benefits of applying a consistent stress test over time, but would benefit from clarity.	Refer to resolution to comment #90
Q66 Comment on paragraph 50			

92. Global Federation of Insurance Association	Global	While GFIA recognizes that the holistic framework does not preclude macroprudential supervision of individual insurers, the emphasis on stress testing individual insurers here in the "bottom up" and "top down" approaches appears to be a symptom of the shift back toward the supervision of entities rather the supervision of activities and entities that was presented in the Holistic Framework.	Refer to resolution to comment #86
93. The Geneva Association	International	Paragraph 50 uses the term "macro-financial." The term is not found elsewhere in the paper or in ICP 24, and its meaning is unclear.	Revision was made
94. American Property Casualty Insurance Association (APCIA)	USA	While we recognize that the activities-based approach did not preclude macroprudential supervision of individual insurers, we believe the emphasis on stress testing individual insurers here in the "bottom up" and "top down" approaches is a symptom of the shift back toward the supervision of entities rather than the supervision of activities that was presented in the activities-based approach, per our comment in response to Question 1.	Refer to resolution to comment #86
XXX. American Council of Life Insurers (ACLI)	USA	Paragraph 50 uses the term “macro-financial.” The term is not found elsewhere in the application paper or in ICP 24 and its meaning is unclear.	Refer to resolution to comment #93
Q67 Comment on paragraph 51			
95. Global Federation of Insurance Association	Global	The insurance sector objects that insurer ORSA stress tests be used in any sort of horizontal review. Regarding the following provision, "As discussed above, stress testing is also required to be conducted by insurers as part of their own Enterprise Risk Management (ERM), for instance as part of the Own Risk Solvency Assessment (ORSA)." ORSA stress tests are based on the risk assessment of the insurance company itself for microprudential purposes, and it seems inadequate to include stress tests for macroprudential purposes within the ORSA. Therefore, these provisions should be deleted. In addition, ORSA is each individual insurer's own risk assessment, and as such different	The IAIS agrees that the primary purpose of the ORSA is for the insurer to have better insight in its own risks and solvency, as part of enterprise risk management (ERM). This paragraph is not in any way meant to standardise ORSAs. However, ICP 16 does set out certain minimum requirements for the ERM Framework, including the use of tools such as stress testing, while noting that ultimately it is the responsibility of the insurer itself to carry out the ERM.

		insurers are likely to use different stresses that are appropriate for their own capital management. It would also be inconsistent with the statement in Annex 4 of the AP, "the insurers would remain free to define the content of the ORSA". Supervisors should not provide detailed guidance to the stress test participants with standardized specifications on how to conduct stress tests to be included in the ORSA, or as part of their own Enterprise Risk Management (ERM), as this could undermine its purpose and role. ORSA reports should be insurer-specific and should be kept as an instrument tailored to the specific management of individual insurance groups and companies. Any attempt to standardize ORSAs would greatly reduce the usefulness of this important tool for both supervisors and insurers.	Relatedly, in ICP 16 (and ComFrame integrated therein) it is noted that insurers should consider “inward risks” as part of their ERM and that the insurer may suggest certain stresses to be included. See for instance CF16.9.a.3 and CF 16.12.b. In turn, horizontal reviews of ORSA may provide supervisors with a forward-looking perspective on how certain stresses may impact insurers as well as the possible reaction of insurers in response. Finally, the language in this paragraph is not prescriptive, it merely provides a suggestion and an example based on the experience in some countries.
96. The Geneva Association	International	Regarding the following provision, "As discussed above, stress testing is also required to be conducted by insurers as part of their own Enterprise Risk Management (ERM), for instance as part of the Own Risk Solvency Assessment (ORSA). Supervisors could also provide guidance to the market with specifications on how to conduct stress tests to be included in the ORSA", Although leveraging the ORSA as a resource is fine, ORSA stress tests are based on the risk assessment of the insurance company itself for microprudential purposes, the IAIS should refrain from encouraging the ORSA to become a prescriptive regulatory exercise that is inconsistent with the « own » part of an ORSA. Therefore, these provisions should be deleted. In addition, they are also inconsistent with the statement in Annex 4 of the AP, "the insurers would remain free to define the content of the ORSA". In addition, there might be a conflict with ICP 16, which states that stress testing is required (for non-IAIGs) « as necessary », see ICP16.2). Insurer conducted stress tests should not be used for the purpose of capital setting (nor as part of an entity based designation).	Refer to resolution to comment #95 Revision made to reflect that ORSA is required for IAIGs and other insurers as necessary

97. General Insurance Association of Japan	Japan	Regarding the following provision, "As discussed above, stress testing is also required to be conducted by insurers as part of their own Enterprise Risk Management (ERM), for instance as part of the Own Risk Solvency Assessment (ORSA). Supervisors could also provide guidance to the market with specifications on how to conduct stress tests to be included in the ORSA", ORSA stress tests are based on the risk assessment of the insurance company itself for microprudential purposes, and it seems inadequate to include stress tests for macroprudential purposes within the ORSA. Therefore, these provisions should be deleted. In addition, they are also inconsistent with the statement in Annex 4 of the AP, "the insurers would remain free to define the content of the ORSA".	Refer to resolution to comment #95
98. American Property Casualty Insurance Association (APCIA)	USA	We are very concerned by the suggestion here that insurer ORSA stress tests be used in any sort of horizontal review. The ORSA is each individual insurer's own risk assessment, and as such different insurers are likely to use different stresses that are appropriate for their own capital management. Supervisors should not try to standardize this process, which would greatly minimize the usefulness of this important tool for both supervisors and insurers. Property-casualty insurers have little liquidity risk and traditional non-life insurance activities are not a source of systemic risk. We thus believe that mandated stress testing for non-life insurers will have very limited value to supervisors. In the context of addressing any perceived systemic risk, supervisors would be better served to understand and assess the stress testing that is already performed by the insurer itself, summarized in ORSAs, to gauge any likelihood of a risk that could rise to the level of systemic importance for a firm. Should a scenario modeled by an insurer result in such a finding, it could then be assessed on a sectoral basis. However, and again, we strongly believe that this will not be the case for non-life firms.	Refer to resolution to comment #95
XXX. American Council of Life Insurers (ACLI)	USA	Paragraph 51 indicates that stress testing “is also required to be conducted by insurers” as part of their ERM. This conflicts with ICP 16, under which stress testing is required (for non-IAIGs) “as necessary” (ICP 16.2). Paragraph 51 also suggests that supervisors “could also provide guidance to the market with specifications on how to conduct stress tests to be included in the ORSA.” This suggestion conflicts directly with the fundamental element of the ORSA, which is that is	Refer to resolution to comment #95

		supposed to represent the insurers "own" view. Leveraging the ORSA as a tool may be fine, but it should not become a prescriptive regulatory exercise.	
Q68 Comment on paragraph 52			
99. International Actuarial Association	International	In Table 2, the IAA does not believe that, given the right instructions, insurers would intentionally produce biased results so would suggest removing the last Bottom-Up disadvantage.	It is not intended to have too severe scenarios that may not represent the actual vulnerability. Revision has been made
100. The Geneva Association	International	This paragraph should also acknowledge the trade-off between comparability and risk sensitivity/ insights. We suggest adding the following sentence to the end - "Further, while the use of uniform data sets or approaches can enhance comparability it will likely sacrifice risk sensivity and accuracy of insights when compared to bottom-up or more bespoke analysis".	Revision has been made
101. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Table 2: Noting both approaches as resource-intensive for supervisors is not phrased in a way that belongs in a table of reasons one approach might be preferred to the other. Therefore, suggest rewording the bottom-up disadvantage both to distinguish the two options and to better reflect the differences of the two approaches: Somewhat less resource-intensive for supervisors, but more intensive for participants. All other things equal, model-driven is a plus, not a minus, because it is easier to implement, so the downside(s) are the whole point, not just parenthetical. Suggest: Use of models may limit flexibility of approach. Participants tend to present favourable results.	Revision has been made for clarity
XXX. American Council of Life Insurers (ACLI)	USA	This paragraph and the table should acknowledge the trade-off between enabling comparability and insights into risk sensitivity when using uniform data sets, scenarios, etc (e.g., highlighted as a disadvantage of a top-down approach.	The purpose is included in the paragraph before the table
Q69 Comment on paragraph 53			

102. The Geneva Association	International	We do not believe it is appropriate for an AP to include text such as "insurers are required". We therefore believe this paragraph should be written to read as follows, "Depending on the approach taken, supervisors may need to obtain the necessary data from insurers to execute a top down stress test".	Revision was made
XXX. American Council of Life Insurers (ACLI)	USA	ACLI does not believe it is appropriate to include the following text in an Application Paper – "insurers are required to provide supervisors with the necessary data from their portfolios to facilitate the conducting of the actual stress test". We believe this paragraph should be removed from the paper.	Refer to resolution to comment #102
Q70 Comment on paragraph 54			
103. Global Federation of Insurance Association	Global	In the event of crises or shocks, firms, particularly those staff managing capital, may not have sufficient resources to allocate to perform stress tests, therefore undertaking additional and more frequent stress tests by companies may not be prudent, whereas supervisors could collect data in crisis/shock scenarios to allow them to conduct their own analyses. The Application Paper should encourage supervisors to think about what frequency is required for achieving their supervisory objective and a cost/benefit consideration.	Refer to resolution to comment #57
104. The Geneva Association	International	In this paragraph, it is suggested that stress testing exercises could be conducted every two or three years. Instead of steering supervisors to random frequencies, the Application Paper should encourage supervisors to think about what frequency is required for achieving their supervisory objective and cost/benefit considerations. In addition, it may not be reasonable to expect stress testing to be done more frequently in the event of crises or shocks as such request could divert insurer resources and focus from navigating the stress event.	Refer to resolution to comment #57
105. Central Bank of Ireland	Ireland	We would suggest that this is re-phrased as it is a little unclear at the moment. It seems counterproductive to perform a stress test more frequently when the situation is already stressed	It is also important that supervisors understand the vulnerability of the issuer/market especially in a specific crisis situation.

		Maybe could emphasise that supervisors should be in a position to perform top-down stresses on an ad-hoc basis during a market crisis, or else use horizontal reviews	
Q71 Comment on paragraph 55			
Q72 Comment on paragraph 56			
106. Central Bank of Ireland	Ireland	In a heterogeneous market, having a variety of key business models represented could be important too. So not just scale but scope.	Agreed
Q73 Comment on paragraph 57			
107. International Actuarial Association	International	The IAA understands that stochastic scenario and loss generators can be used but it is not clear whether these are being recommended or not. Also, the term "passive side" should be defined.	The passive side was revised to the liability side
108. The Geneva Association	International	Paragraph 57 refers to a "macroeconomic scenario generator" as well as a "stochastic generator of insurance losses." It is possible that these tools are used exclusively in top-down stress testing approaches. If this is the case, clarification would be helpful.	Some revision for clarification were included. The supervisor will determine the most appropriate technique / method
109. Central Bank of Ireland	Ireland	We believe that it is helpful if each set of scenarios has a narrative behind it i.e. what set of circumstances could give rise to the scenario? This could help bring the scenarios to life.	The Paper tends to be schematic enough to provide input to help supervisors identify appropriate factors and methods. Going into too much detail can be counterproductive.
110. General Insurance Association of Japan	Japan	Since the results of stress tests have a great influence on the management actions of insurers, transparency should be ensured when determining the specifications and parameters of a "macroeconomic scenario generator" stated in paragraph 57.	Noted and that is the intent
XXX. American Council of Life Insurers (ACLI)	USA	Paragraph 57 refers to a “macroeconomic scenario generator” as well as a “stochastic generator of insurance losses.” It is possible that these tools are used exclusively in top-down stress testing approaches. If this is the case, clarification would be helpful.	Refer to resolution to comment #108

Q74 Comment on paragraph 58			
111. Global Federation of Insurance Association	Global	GFIA believes that regulators should be very careful when it comes to expanding the timeframe of the stress test and moving to a multi-period framework in which the insurer´s post-stress solvency position is assessed against a set of risks that evolve over longer periods (e.g., 3 or 5 years). The added value would be limited due to technical limitations and uncertainties, and the implementation cost very high.	Agreed, the text specifies the risks connected to the multi-period framework.
112. International Actuarial Association	International	The IAA notes that, in the context of assessing the financial risks arising from climate change, much longer periods than 5 years are being considered. They may be "less reliable" in the sense that the results may not necessarily be predictors of the future, but they can still provide supervisors useful information on the potential (range of) impacts of different scenarios. There is also an implication that stochastic projections are being used, which may not always be the case.	Refer to resolution to comment #111
113. The Geneva Association	International	The first sentence of paragraph 58 refers to solvency, liquidity, and profitability of insurers. The second sentence of paragraph 58 refers to common approaches for stress testing ("consistently with the widely applied supervisory framework"). Since that the one-year horizon of the "widely applied supervisory framework" applies only to solvency, the scope of the second sentence conflicts with the scope of the first sentence.	The Paper considers various possibilities. Both in a one-year perspective and in a broader context (in the latter case it highlights the elements to be noted)
114. Central Bank of Ireland	Ireland	A position needs to be taken on management actions. Are they included or excluded (or done with and without).	It depends on what the supervisor wants to investigate. It may be useful to understand the effects of a management action.
XXX. American Council of Life Insurers (ACLI)	USA	The first sentence of paragraph 58 refers to solvency, liquidity, and profitability of insurers. The second sentence of paragraph 58 refers to common approaches for stress testing ("consistently with the widely applied supervisory framework"). Since the one-year horizon of the "widely applied supervisory framework" applies only to solvency, the scope of the second sentence conflicts with the scope of the first sentence.	Refer to resolution to comment #113
Q75 Comment on section 3.2.3 Sensitivity analysis			
Q76 Comment on paragraph 59			

115. Global Federation of Insurance Association	Global	The expression "scenario" is used both in the section about stress testing as well as sensitivity analysis hindering the understanding what the difference between the two methods is.	In the paragraph, the term scenario is always associated with the type of sensitivity analysis. It shouldn't create any misunderstandings
116. The Geneva Association	International	The expression "scenario" is used both in the section about stress testing as well as sensitivity analysis hindering the understanding what the difference between the two methods is.	Refer to resolution to comment #115
117. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Editorial: Sensitivity analysis is an evaluation of the degree by which a model's results vary in response to changes induced by changes to the values of input variables.	Revision made
Q77 Comment on paragraph 60			
118. Global Federation of Insurance Association	Global	It should be noted that submitting data requests to insurers is no guarantee of homogeneity given that different firms can often have different interpretations of certain instructions and differently derived data points. As such, it should not be assumed, particularly when undertaking a sensitivity analysis which varies one factor out of many, that results are perfectly comparable between insurers.	Refer to resolution to comment #119
119. International Actuarial Association	International	The IAA does not understand what "The data extracted by insurers should always follow the same criteria…" means, so it is suggested that this is rephrased or expanded on. The concept of "sampling" in this context should also be further clarified.	If the information were extracted with different criteria, the information they would obtain may not be comparable or express different factors. A footnote has been added for clarification
120. The Geneva Association	International	It should be noted that undertaking insurer data requests does not guarantee homogeneity given that different firms can often have different interpretations of the instructions and result in different data points being provided. As such, we suggest revising the last part of the first sentence to say, " …provided that there are clear	Refer to resolution to comment #119

		instructions and a structured and homogenous database, with established criteria for extracting and acquiring information".	
121. General Insurance Association of Japan	Japan	While it is stated that "the data could be acquired in a homogeneous way through ad hoc requests to insurers", in order to prepare the data necessary for sensitivity analysis, it is expected that an insurer will bear the load of multiple calculations of data. When a supervisor requests an insurer to submit data, the scope should be narrowed down with due consideration for relevance and reasonable probability.	Refer to resolution to comment #119
122. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Editorial: The data extracted by insurers should always follow the same criteria to assist supervisors in understanding the macroeconomic implications of a given factor.	Revision made
Q78 Comment on paragraph 61			
123. International Actuarial Association	International	It is noted that the example given uses a duration approach and the IAA notes there are disadvantages of using this which could be discussed.	The disadvantages intended to discuss were not made clear.
124. The Geneva Association	International	We agree that "supervisors are required to have "an established process to assess the potential systemic importance of individual insurers and the insurance sector" ". In this case, the systemic importance of the insurance sector should not be assessed alone, but rather assessed within the entire financial system, including other sectors such as banking and securities. It is important to stress that systemic risk in insurance is by no means comparable to that of banks, given the very different business models - something which has been recognized by the IAIS in past publications (e.g., the IAIS report on Insurance and Financial Stability (2011) among others). As such, the supervisory assessment process should begin with the cross-sectoral analysis described in Section 4.2.5 (paragraphs 143 and 144) to assess the systemic importance of the insurance sector within the financial system. We propose specifying this in the AP.	The Paper dedicates a specific section on systemic risks. We tend to avoid duplication.

Q79 Comment on section 3.3 Common qualitative analysis methods			
125. International Actuarial Association	International	The IAA notes that there are several instances in this section of things supervisors "could" do without any guidance on when they would be useful (or when not).	Noted
Q80 Comment on paragraph 62			
126. Global Federation of Insurance Association	Global	This paragraph suggests qualitative vulnerability analyses to be performed on a quarterly, semi-annual or annual basis. Instead of steering supervisors to random frequencies, the Application Paper should encourage supervisors to think about what frequency is required for achieving their supervisory objective and a cost/benefit consideration.	Refer to resolution to comment #57
127. The Geneva Association	International	This paragraph suggests qualitative vulnerability analyses to be performed on a quarterly, semi-annual or annual basis. Instead of steering supervisors to various frequencies, the Application Paper should encourage supervisors to give thought to the cost/ benefit considerations when determining what frequency is required for achieving supervisory objectives.	Refer to resolution to comment #57
128. Central Bank of Ireland	Ireland	Or ad hoc in response to a specific crisis e.g. COVID. Helps get more up-to-date information than may be available in the regular returns.	Ad hoc analysis of a specific crisis (eg COVID) may help supervisors to go in-depth on specific effects generated.
129. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Editorial: Supervisors could also consider qualitative analysis methods (eg review of questionnaires, or surveys, or published material) to monitor and assess specific risks that might not necessarily be identified by quantitative analysis methods	Revision made
XXX. American Council of Life Insurers (ACLI)	USA	In discussing the various analysis methods, the IAIS should acknowledge the importance of cost/benefit analysis considerations as a factor that supervisors consider when determining an approach and the frequency of the assessments.	Refer to resolution to comment #57

Q81 Comment on section 3.3.1 Market intelligence and risk workshop with stakeholders			
Q82 Comment on paragraph 63			
Q83 Comment on paragraph 64			
130. Global Federation of Insurance Association	Global	This paragraph suggests workshops resp. qualitative exchanges of views with stakeholders to be performed annually. The Application Paper should encourage supervisors to decide themselves on the most appropriate frequency or ad-hoc organization of such events.	An annual meeting is meant as an example; revision made to also include periodic as an example
131. The Geneva Association	International	This paragraph suggests workshops involving qualitative exchanges of views with stakeholders to be performed annually. The application paper should encourage supervisors to decide themselves on the most appropriate frequency or ad-hoc organization of such events.	Refer to resolution to comment #130
132. Central Bank of Ireland	Ireland	Reference could be made to insurance regulators that sit within a more broadly based regulator/central bank. In these regulators, there may be knowledge that could be shared between the different sectors (e.g. economics expertise and any work in the banking sector). Also cross jurisdictional given the international footprint of many firms.	Noted
Q84 Comment on paragraph 65			
133. Global Federation of Insurance Association	Global	This paragraph suggests workshops resp. qualitative exchanges of views with stakeholders to be performed annually. The Application Paper should encourage supervisors to decide themselves on the most appropriate frequency or ad-hoc organization of such events.	Refer to resolution to comment #130
134. The Geneva Association	International	The application paper should encourage supervisors to decide themselves on the most appropriate frequency or ad-hoc organization of engagement with stakeholders and thus the reference to "Annual" should be removed.	Refer to resolution to comment #130

135. Central Bank of Ireland	Ireland	Would it be better to change("annual") to "periodic" or "regular"?	Refer to resolution to comment #130
Q85 Comment on paragraph 66			
Q86 Comment on section 3.4 Common quantitative and qualitative analysis methods			
Q87 Comment on paragraph 67			
136. Global Federation of Insurance Association	Global	Again, rather than suggesting certain frequencies, the Application Paper should leave it to the supervisors to decide whether an ad-hoc approach or an interval approach is most appropriate and in the case of the latter what the most appropriate frequency would be to achieve the supervisory objectives.	The frequency proposed are examples
137. The Geneva Association	International	Rather than suggesting certain frequencies, the Application Paper should leave it to the supervisors to decide whether an ad-hoc approach or an interval approach is most appropriate and in the case of the latter, what the most appropriate frequency would be to achieve the supervisory objectives.	Refer to resolution to comment #136
138. Central Bank of Ireland	Ireland	Or ad hoc (assessment)	Noted
XXX. American Council of Life Insurers (ACLI)	USA	In discussing the various analysis methods, the IAIS should acknowledge the importance of cost/benefit analysis considerations as a factor that supervisors consider when determining an approach and the frequency of the assessments.	Refer to resolution to comment #57
Q88 Comment on section 3.4.1 Vulnerability analysis			
Q89 Comment on paragraph 68			
Q90 Comment on paragraph 69			
Q91 Comment on paragraph 70			

Q92 Comment on section 3.4.2 Horizontal reviews			
Q93 Comment on paragraph 71			
Q94 Comment on paragraph 72			
Q95 Comment on paragraph 73			
Q96 Comment on paragraph 74			
139. International Actuarial Association	International	It would be helpful here to give some examples of indicators of "vulnerability" as it may not be apparent what is meant by this.	Examples are included
Q97 Comment on paragraph 75			
Q98 Comment on paragraph 76			
Q99 Comment on paragraph 77			
140. The Geneva Association	International	It is important to note that the "peer group' should be sufficiently large to make the horizonal analysis meaningful in light of its macroprudential purpose.	It could be useful to not exclude other possible comparisons
XXX. American Council of Life Insurers (ACLI)	USA	We suggest noting that the peer group should be of sufficient size to make the exercise worthwhile.	Refer to resolution to comment #140
Q100 Comment on section 4 Assessing systemic importance			
141. International	International	The IAA suggests that Section 4 unduly focuses on assessing the systemic importance of an insurer or the insurance sector. The section begins with, "identification of systemic	An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between

Actuarial Association		importance in the insurance sector is one of the paramount objectives of macroprudential supervision."	what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link. The IAIS acknowledges that section 4 of the Paper could be perceived to be somewhat biased towards individual insurer systemic risk assessments. On a global level, limited work and studies have been done on sector-wide systemic risk assessments as past and current experiences have been largely focused on individual insurer assessments. This matter could possibly be considered as a future area of focus for the IAIS as jurisdictions continue to develop methods and techniques over time to enhance their systemic risk assessment frameworks for sector-wide monitoring. Text was added in a new Section 4.3, highlighting the important interplay between systemic risk assessment at the individual insurer level and sector-wide level, and that methods and techniques are still in the development phase for sector-wide analysis.
142. Institute of International Finance	United States	We agree with the statement in Paragraph 91 that off-balance sheet items should be judged holistically, and we would extend that concept to the whole of the balance sheet approach. A holistic approach should also encompass dialogue with senior management of the insurer in order to place the balance sheet analysis in the proper context and to better understand material recent developments that have impacted the balance sheet, either positively or negatively. A greater emphasis should be placed on the materiality of risks when supervisors conduct a balance sheet review. Supervisors should also understand how the insurer manages its assets and liabilities and what enterprise risk management or asset/liability management techniques and risk mitigants the insurer can employ to address any balance sheet stresses or risks described in Paragraph 90 (e.g.	All comments were considered The reduced-form approach is noted as an example method for identifying systemic risk. New text was included to recognise that these reduced-form approaches should be used on an ancillary basis and not in isolation in section 4.1.4.

		fire sale or credit risks). We also encourage a greater emphasis on inward risks in this paragraph, as generally they are more material for insurers than are outward risks. We reiterate the comments we have made previously on the "limited substitutability (critical functions)" transmission channel. Insurers conduct few, if any critical functions. While on rare occasions limited substitutability could be of systemic relevance to the insurance sector, we would not consider it a critical function in the same manner as, for example, the banking critical functions that are linked to the real economy and the money supply. Insurance markets are largely self-correcting; when a disruption occurs, insurance rates tend to harden due to lower capacity and increased risk premiums, and increased premiums in turn attract new sources of capital to the sector. We do not agree with the statement in the final bullet of Paragraph 85 that global activity may be a proxy for the complexity of an insurance group. Neither size nor global activity should be seen as indicia of complexity or systemic relevance. We note that Paragraph 93 appropriately recognizes the risk mitigating impacts of geographic and economic diversification of exposures. We also point to Paragraph 40 of the Holistic Framework, which notes that size and international activity may work as risk amplifiers but do not necessarily correspond to whether an insurer is engaged in potential systemic activities or exposed to certain systemic risks. Indeed, geographic diversification, while increasing group complexity, may also act to significantly reduce an insurer's risk profile. We reiterate our previous comments on the inappropriateness of deep haircuts or write-offs of securities issued by financial institutions (Paragraph 92). The availability of these instruments as sources of liquidity should be analyzed in a risk-based manner. Broadly excluding these assets from a liquidity portfolio could have negative macroprudential ramifications, including impacts on the pricing and supply of certain types of assets, asset concentrations, and hoarding. Further, the exclusion of these instruments could have a negative effect on the financial sector and the real economy by disincentivizing insurers' investments in the debt of other financial institutions. Insurers also should not be constrained from using bank sources of liquidity, consistent with sound asset/liability management and risk management practices. More broadly, the discussion in Paragraphs 92 and 93 should acknowledge the	In addition, the text on capital charges for cross holdings of liabilities issued by other financial institutions was toned-down. However, the qualification was kept that the supervisor should keep a close eye on these holdings. Scoring is essential to have some decision whether potential evidence of systemic risk is present or not.

		stabilizing nature of the insurance sector and the reality that insurers do not fail overnight. The Draft AP touches on these points briefly and indirectly in Paragraph 79, but does not leverage them throughout the document. The Draft AP would benefit from an explicit acknowledgement that insurance acts as a stabilizer in the event of idiosyncratic shocks or aggregated shocks (e.g. natural catastrophe). Insurers act as a major source of funding to the financial markets through their investments, much of which is patient, long-term capital. The role of insurers as market stabilizers has been amply demonstrated during the COVID crisis, most notably during the Q1 2020 market instability. Insurers support the products offered by the banking sector (e.g. through the provision of trade credit insurance). Insurance alleviates the fiscal pressures of government social spending by providing private sources of income to individuals impacted by the death or disability of a wage earner or to individuals and companies impacted by a natural disaster. The Draft AP should advise supervisors to conduct a careful analysis of the use of any proposed macroprudential tools or measures in light of their potential to undermine the important stabilizing role of the insurance sector. Poorly designed or inappropriately deployed tools and measures could have deleterious impacts on financial stability and the real economy. In considering insurers' interconnections with the real economy (see Paragraph 99 and following), we encourage the IAIS to consider how the Draft AP reflects past guidance that the IAIS has issued. For example, some of the concerns around these interconnections may not be consistent with the positive tone around infrastructure investments that the IAIS expressed in a recent IAIS stock-take, and may not align with initiatives from the G20 and other official sector organizations. Concerns about interconnectedness also do not reflect the positive contributions of insurers' connections to other financial services sectors and the real economy, and to financial stability as noted above. We recommend a broader approach in Table 6 that also encompasses indicators of impact to the financial sector as well as to the non-financial and public sectors. The cut-offs under the indicator-based approach (see Paragraphs 105 and 106) are overly simplistic as they do not allow for the consideration of the qualitative or discretionary judgment that is essential to a holistic analysis. They also do not appear to	

		reflect the broader context of insurer and insurance group enterprise risk management and asset/liability management. Additionally, these scoring mechanisms do not provide for discussion with the management of the insurer, which can result in new or different insights into the amount of risk or systemic relevance reflected in a particular indicator. Section 4 introduces new supervisory standards and guidance that disregards the framing that the IAIS has established for the role of Application Papers, as expressed in Paragraph 4. Section 4.1.3 advances reduced-form approaches as methodologies for identifying systemically important insurers. Reduced-form approaches are inconsistent with ICP 24, which calls for the analysis of a full range of quantitative and qualitative factors when considering the potential systemic importance of an insurer (see ICP 24.3), and are also inconsistent with the Holistic Framework. Reduced-form approaches do not reflect the holistic approach to insurance sector analysis that is encapsulated in ICP 24.2 ("The supervisor, as part of its macroprudential supervision, performs analysis of financial markets and the insurance sector that: is both quantitative and qualitative; considers historical trends as well as the current risk environment; and considers both inward and outward risks.") The apparent simplicity of reduced-form approaches masks the complex and volatile nature of these models. Reduced-form models rely on market-related data and variables, and are econometric "black box' methodologies typically managed by third parties that do not provide supervisors with control over or even the necessary insights into the underlying data or modelling techniques needed to make an informed decision as to their effectiveness and fitness for purpose. It is important to understand thoroughly the drivers and sensitivities of reduced-form modeled outputs and the potential for these outputs to give rise to false positives and precision bias. Reduced-form models may also provide output that does not provide insight into performance over a full economic cycle. Reduced-form models were developed largely in response to the global financial crisis of 2007 to 2009 (GFC) and, therefore, might not be relevant in assessing different conditions or scenarios than those that prevailed during the GFC.	

		Reduced-form models generally attempt to predict when an event (e.g. a default) will occur but do not provide insight into the context or reason for the occurrence of the event and how the company will be impacted by the event. Reduced-form approaches may depend on assumptions that might not appropriately reflect an insurance group's financial condition, including its capital adequacy, leverage, and resolvability. Moreover, these models tend to focus exclusively on prospective capital-related impacts, whereas much of the Holistic Framework is appropriately focused on liquidity pressures as a potential systemic risk transmission mechanism. Importantly, "reduced-form" approaches have not been demonstrably linked to the transmission channels for systemic risk that the IAIS has identified. Indeed, for reasons explained in the following paragraphs, reduced-form approaches have been challenged by economists because they are focused on capital shortfalls instead of illiquidity, and they lack the ability to differentiate key aspects of the banking and insurance models that are key to assessing any systemic threat. SRISK in particular has been developed for the banking sector and is not appropriate for application to the insurance sector. The focus on the expected capital shortfall in the event of a prolonged market decline is misplaced in the insurance context because insurers rarely fail suddenly; rather, the presence of adequate liquidity to facilitate an orderly wind-down or exit from some markets is a more appropriate focus for insurers (and has been an important key focus of the IAIS). In the insurance context, different factors are more important (e.g. reserves) and some factors will be more relevant for P&C insurers and others more significant for life and retirement companies. Moreover, SRISK model outputs and rank orderings of firms over time are volatile. In a 2016 paper, which is attached for your convenient reference as Appendix A, Hal Scott of Harvard Law School and Oliver Wyman concluded that the SRISK measure is not appropriate for estimating and comparing the systemic risk of life insurers to that of other peer financial institutions. The Scott paper states that SRISK does not provide the means to assess the potential for large insurers to potentially pose the same levels of systemic risk to the financial	

		system as banks because it does not attempt to measure the ability of an institution to cause or transmit risk to the financial system or broader economy and because the metric relies on invalid assumptions (e.g. that an insurer would need to and would be able to rapidly de-leverage its portfolio under stress). SRISK does not measure the potential for an institution to transmit systemic risk because it only shows that an individual institution could be vulnerable to failure, while ignoring several key causation and transmission channels. It applies a uniform approach based on high-level publicly available data to the heterogeneous insurance sector and ignores the historical proof that distresses in insurers have not led to systemic consequences. Moreover, SRISK inappropriately uses market capitalization as a proxy for an insurer's regulatory capital and strength, despite the fact that the study found that, historically, the risk-based capitalization of large U.S. insurers and their market capitalization failed to show any correlation in movement. (The Scott paper was focused on the U.S. insurance market.) Another study from 2017 found that the SRISK methodology substantially overstates the systemic risk of Canadian insurers, in part due to the inclusion of segregated funds in insurance liabilities, which overstates leverage. As the IAIS acknowledges in Paragraph 112 of the Draft AP, coverage of reduced-form models, such as SRISK and conditional value at risk, or CoVaR, is limited to publicly traded insurance groups operating in deep and liquid equity markets. This poses a scope challenge, as these models would not apply to the sector-wide population under consideration, including mutual insurers, smaller insurance groups, operating subsidiaries or some groups operating in emerging markets or developing economies. In Paragraph 126, the IAIS also acknowledges such approaches "carry significant non-economic volatility which reduces the validity of the signal." Given the significant shortcomings of reduced-form approaches, which the IAIS acknowledges, we strongly recommend that references to these approaches be removed from the Draft AP.	
143. Liberty Mutual	USA	Liberty Mutual disagrees with Section 4 in its entirety. This section essentially re-instates an Entity-Based Approach to evaluating systemic risk,	Refer to resolution of comment #141

Insurance Group		which the IAIS itself largely abandoned in connection with adopting the holistic framework, by consistently discussing various ways that individual insurers could create systemic risk. Although it is conceivable in theory that an insurer could, itself be systemically important, the likelihood of this occurring is remote. Yet, Section 4 occupies over a third of the body of the Application Paper advising supervisors of how they should look for this possibility. The discussion is unnecessary and inconsistent with the concept of proportionality. Moreover, as indicated in the comments to specific paragraphs below, much of the discussion in this Section 4 is based on premises which are not accurate.	
Q101 Comment on paragraph 78			
144. Global Federation of Insurance Association	Global	GFIA agrees that "supervisors are required to have "an established process to assess the potential systemic importance of individual insurers and the insurance sector" ". In this case, the systemic importance of the insurance sector should not be assessed alone, but rather assessed within the entire financial system, including other sectors such as banking and securities. In particular, due consideration should be given to the fact that systemic risk of core insurance activities is limited and the scale of potential systemic risk in the insurance sector is much smaller than that of banking. As such, the supervisory assessment process should begin with a performance of the cross-sectoral analysis described in Section 4.2.5 (paragraphs 143 and 144) to assess the systemic importance of the insurance sector within the financial system. Insurers propose specifying this in the AP.	Noted
145. General Insurance Association of Japan	Japan	We agree that "supervisors are required to have "an established process to assess the potential systemic importance of individual insurers and the insurance sector" ". In this case, the systemic importance of the insurance sector should not be assessed alone, but rather assessed within the entire financial system, including other sectors such as banking and securities. Due consideration should be given to the fact that the scale of systemic risk in the insurance sector is smaller than that of banking. As such, the supervisory assessment process should begin with a performance of the cross-sectoral analysis described in Section 4.2.5 (paragraphs 143 and 144) to assess	Noted; refer to section 1.3 Proportionality – supervisors' have flexibility to tailor their application of supervisory requirements and supervision

		the systemic importance of the insurance sector within the financial system. We propose specifying this in the AP. We also propose adding that consistent measures should be taken by each jurisdiction with the aim of ensuring the predictability of regulations, ensuring a level playing field between jurisdictions, and preventing the arbitrary enforcement of regulations by supervisors within each jurisdiction.	
Q102 Comment on paragraph 79			
146. Global Federation of Insurance Association	Global	As in so many other aspects of the business model, traditional insurers´ liquidity risk is fundamentally different from that of banks. Banks face significant liquidity risks since their liabilities are predominantly short-term. They engage in maturity transformation by turning short-term liabilities into long-term assets. In contrast, insurers usually have an opposite position when it comes to maturity and liquidity transformation. Typically, insurers are providing liquidity to the markets by transforming longer term and less liquid liabilities into shorter term and more liquid assets. In other words, while banks are often at risk of being "liquidity-short", insurers are liquidity-rich by the nature of their business. Thus, their liquidity risk is very limited. Further, there is no need for supervisors to carry out the analysis of liquidity on an "ordinary basis" with agreed periodicity as described in annex 3.	The Paper recognises that liquidity risk is not as severe as that of banks, yet liquidity risk is not absent completely. This is also acknowledged in the Holistic Framework.
147. The Geneva Association	International	As the IAIS recognizes in Para 79 that "liquidity risk arises as a result of imbalances between liquidity sources and needs, although not as important for insurers as it is for banks", the importance of liquidity risk in the insurance sector is lower than that in the banking secor (i.e., the IAIS report on Insurance and Financial Stability (2011)). Therefore, policy measures for liquidity risk management should be moderated accordingly.	Refer to resolution to comment #146
148. General Insurance Association of Japan	Japan	We agree that liquidity risk is "not as important for insurers as it is for banks". As we commented on paragraph 78, the systemic importance of the insurance sector should be assessed within the entire financial system, including other sectors such as banking.	Noted

149. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Editorial: It becomes a macroprudential concern if a shock (the trigger event) leads to reactions causing liquidity shortages across an entire sector or across several sectors.	Revision made
Q103 Comment on paragraph 80			
150. Liberty Mutual Insurance Group	USA	The premise of this paragraph "that if liquidity risk materializes for an insurer… [it] could trigger downward a downward pricing spiral in the financial markets" is simply wrong. No one insurer can have that profound an impact on financial markets.	Consideration needs to be given to the differences and vulnerabilities of all jurisdictions' financial markets
Q104 Comment on paragraph 81			
151. International Actuarial Association	International	Interconnectedness can also arise due to common service providers eg outsourcers who provide significant services to multiple insurers.	Agreed that this is another valid concern. To limit documentation, it was decided to report only the two main aspects.
152. Central Bank of Ireland	Ireland	Should there be consideration reinsurers in this whole network of connections - including their different domiciles.	Reference to insurers captures the business of reinsurers
Q105 Comment on paragraph 82			
153. Liberty Mutual Insurance Group	USA	This paragraph states "[f]ailure of one… insurer could have contagion effects on other parts of the financial system." No one insurer's traditional insurance business is that important or could have that effect.	In line with the holistic framework, the IAIS acknowledges that systemic activities and exposures can become concentrated in an individual insurer, which could ultimately have a systemic impact in case of its distress or disorderly failure.
Q106 Comment on paragraph 83			

154. Central Bank of Ireland	Ireland	Also intra-group links such as reinsurance, loans, liquidity pooling, operational/technical expertise dependencies	Noted, this is captured at a higher level (ie financial, reputational and operational links)
Q107 Comment on paragraph 84			
155. General Insurance Association of Japan	Japan	Substitutability is cited as exposure to systemic risk in the insurance sector. In addition, paragraph 84 states that "limited substitutability refers to the difficulty for other components in the financial system to ensure the continuation of supply of insurance coverage after a failure or distress of an individual insurer". However, in our view, given that there are a sufficient number of players in the insurance market and that it is easy to replace coverage in most cases even in the event of the failure of one insurer, situations in which a lack of substitutability contributes to systemic risk are limited. From the statement in paragraph 84 which reads, "The failure of a large insurer in a critical niche market may become a systemic concern", we understand that such a situation is uncommon, and would like to confirm that our understanding is correct.	The text in this paragraph follows the text in the overarching document of the Holistic Framework, where it is also noted that it is uncommon for this to become a concern at a *global* level. However, depending on differences and vulnerabilities within certain regions or jurisdictions, this may be a concern.
156. Liberty Mutual Insurance Group	USA	This paragraph says that "the failure of a large insurer in a critical niche market may become a systemic concern if it leads to financial problems for its counterparts." This premise is unsupportable. Financial problems at insurance policy counterparties caused by the failure of an insurer could not reasonably ever be expected to be so severe as to lead to systemic concerns.	See response to comment #155.
157. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Editorial: The failure of a large insurer in a critical niche market may become a systemic concern if it leads to financial problems for its counterparties, particularly if these counterparties are critical financial market participants themselves. Hence, Limited substitutability refers to the difficulty for other components in the financial system to ensure the continuation of supply of insurance coverage after a failure or distress of an individual insurer that performs a specialised function.	Revision made
Q108 Comment on paragraph 85			

158. The Geneva Association	International	Paragraph 85 parenthetically refers to "regular leverage in the form of policyholders' reserves". As both "leverage" and "policyholders reserves" may be defined in multiple ways, the meaning of this is unclear.	Leverage was meant in the form of an insurance policy which is debt in the insurer's capital structure. Replaced the term leverage with debt.
159. General Insurance Association of Japan	Japan	Regarding systemic risk exposure in the insurance sector, in paragraph 85 it is stated that "Global activity may be a proxy for the complexity of an insurance group". Global activity itself should not be seen as a potential exposure to systemic risk, whereas the type and quality of insurance products and assets underwritten by the insurer may relate to systemic risk. Therefore, this sentence should be deleted.	Global activity can also have risk amplifying effects.
160. Liberty Mutual Insurance Group	USA	This paragraph contains the statement that "size matters at both the individual level and sector-wide." The holistic framework largely rejects this notion. Size alone, for insurers, never alone matters. This paragraph also states, "Global activity may be a proxy for the complexity of an insurance group." This statement is also incorrect. Liberty Mutual proves the point. Although we do business in many countries around the world, our corporate organization is straight forward and the majority of our business activities are focused on conventional personal lines insurance products lines products like auto and home or standard commercial property and liability coverages. Furthermore, there is a significant degree of substitutability in all the markets we do business in, from not only other large insurers like Liberty Mutual, but also mid-size regional and small local competitors. Both of these concepts were rejected as part of the holistic framework and they should be deleted from the Application Paper.	Revision was made to specify reference to size is to the exposure of activities (rather than total assets)
XXX. American Council of Life Insurers (ACLI)	USA	Paragraph 85 parenthetically refers to “regular leverage in the form of policyholders' reserves.” As both “leverage” and “policyholders reserves” may be defined in multiple ways, the meaning of this is unclear.	Refer to resolution to comment #158

Q109 Comment on section 4.1 Assessing systemic importance of an individual insurer			
161. Global Federation of Insurance Association	Global	The focus should be on those risk exposures or activities that have the greatest potential to propagate systemic risk to the wider global financial system or the real economy through the asset liquidation and exposure transmission channels, recognizing the key role of insurers as providers of liquidity to the financial system as a system "shock absorbers,' a key theme that is overlooked throughout the paper. In addition, while insurers recognize that the Holistic Framework does not preclude macroprudential supervision of individual insurers, the emphasis on individual insurers here appears to be a symptom of the shift back toward the supervision of entities rather than the balanced supervision of activities and entities that was presented in the Holistic Framework.	An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link. The IAIS acknowledges that section 4 of the Paper could be perceived to be somewhat biased towards individual insurer systemic risk assessments. On a global level, limited work and studies have been done on sector-wide systemic risk assessments as past and current experiences have been largely focused on individual insurer assessments. This matter could possibly be considered as a future area of focus for the IAIS as jurisdictions continue to develop methods and techniques over time to enhance their systemic risk assessment frameworks for sector-wide monitoring. Text was added in a new Section 4.3, highlighting the important interplay between systemic risk assessment at the individual insurer level and sector-wide level, and that methods and techniques are still in the development phase for sector-wide analysis.
162. The Geneva Association	International	The section on "assessing systemic importance of an individual insurer" is disproportionately large in this paper, not least when comparing it to the content of ICP 24.3	Refer to resolution to comment #161

163. American Property Casualty Insurance Association (APCIA)	USA	The focus should be on those risk exposures or activities that have the greatest potential to propagate systemic risk to the wider global financial system or the real economy through the asset liquidation and exposure transmission channels, recognizing the key role of insurers as providers of liquidity to the financial system as system "shock absorbers,' a key theme that is overlooked throughout the paper. In addition, while we recognize that the activities-based approach did not preclude macroprudential supervision of individual insurers, we believe the emphasis individual insurers here is a symptom of the shift back toward the supervision of entities rather than the supervision of activities that was presented in the activities-based approach, per our comment in response to Question 1.	Refer to resolution to comment #161
XXX. American Council of Life Insurers (ACLI)	USA	As a general comment, ACLI finds the Application Paper to disproportionately focus on methods for assessing the systemic importance of individual insurers, which is inconsistent with the balance within ICP 24 (i.e., ICP 24.3 consists of 4 paragraphs) and the emphasis in the Holistic Framework on an activities based approach, which is reinforced by the suspension and potential retirement of entity based designations by the FSB in 2022. We believe the Application Paper should be revised to reflect a more appropriate balance in guidance between sector wide and individual insurer.	Refer to resolution to comment #161
Q110 Comment on paragraph 86			
164. The Geneva Association	International	ICP 24.3.1 calls for using a total balance sheet approach - there is no discussion within the ICPs of using a "reduced-form approach". We believe the inclusion of the "reduced form approach" concept in the Application Paper results in the introduction of new standards/guidance which is inconsistent with the role these papers are intended to play and the IAIS' governance process for establishing new supervisory standards.	The reduced-form approach is noted as an example method for identifying systemic risk. New text was included to recognise that these reduced-form approaches should be used on an ancillary basis and not in isolation in section 4.1.4.
XXX. American Council of Life Insurers (ACLI)	USA	It is important to highlight that ICP 24.3.1 calls for using a "total balance sheet approach." There is no discussion within the ICPs of using a "reduced-form" approach and we believe its inclusion in the Application Paper results in the introduction of new standards/guidance which is inconsistent with the role that application papers are intended to play and the IAIS' governance process for establishing standards.	Refer to resolution to comment #164

Q111 Comment on section 4.1.1 Indicator-based approach			
165. Global Federation of Insurance Association	Global	Despite several indicators to identify systemic risk listed in Section 4.1.1 (Indicator-based approach), the insurance sector has been the cause of very few cases of systemic risk. GFIA believes that the appropriateness and effectiveness of these indicators need to be carefully verified for use within the insurance sector.	Noted
166. The Geneva Association	International	We believe that the appropriateness and effectiveness of these indicators need to be carefully verified for use within the insurance sector. In addition, there needs to be consideration for materiality in terms of the impact on the financial system or the real economy. When purely looking at indicators, weightings and rankings the materiality aspect gets lost.	Noted. Text mentions that identification of systemic risk also needs to blend supervisory judgement in section 4.1.2.
167. General Insurance Association of Japan	Japan	Despite various indicators to identify systemic risk in Section 4.1.1 (Indicator-based approach), the insurance sector has been the cause of very few cases of systemic risk. We believe that the appropriateness and effectiveness of these indicators need to be carefully verified for use within the insurance sector.	Noted
Q112 Comment on paragraph 87			
168. Global Federation of Insurance Association	Global	The insurance sector is concerned that the indicator-based approach diverges inappropriately from the spirit of the IAIS' holistic framework and its move toward a balanced activities-and entities-based approach. GFIA notes that the IAIS has recognized that provision of traditional insurance, including non-life insurance, generates little systemic risk. In fact, insurers believe that it is primarily a systemic risk mitigant, rather than a systemic risk generator.	An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link.
169. The Geneva Association	International	To avoid confusion, we believe the IAIS should define what it means by « total balance sheet approach » within paragraphs 87, 90-93, and elsewhere in the AP.	The total balance sheet approach is defined in the IAIS Glossary (see Section 1.1 of the Paper).
170. The Life Insurance	Japan	- Section 4.1 (Assessing systemic importance of an individual insurer) states approaches that assess risk by using certain indicators and identify individual insurance companies. On the other hand, the IAIS document entitled "Holistic Framework for Systemic Risk in	Refer to resolution to comment #168

Association of Japan		the Insurance Sector (November 14, 2019)" aims to transition away from the binary approaches used in the G-SIIs selection method. Therefore, we would like to confirm this does not indicate a reversal in direction.	
171. American Property Casualty Insurance Association (APCIA)	USA	We are concerned that the indicator-based approach diverges inappropriately from the spirit of the IAIS' holistic framework and its move toward an activities-based approach, as well as the shift from an entity-based to an activities-based approach in major jurisdictions such as the United States. We also note that the IAIS has recognized that provision of traditional insurance, including non-life insurance, generates little systemic risk. In fact, we believe that it is primarily a systemic risk mitigant, rather than a systemic risk generator.	Refer to resolution to comment #168
XXX. American Council of Life Insurers (ACLI)	USA	Paragraph 87 and paragraphs 90-93 refer to a “total balance sheet approach.” ICP 17.1.1 indicates that “total balance sheet approach” “refers to the recognition of the interdependence between assets, liabilities, regulatory capital requirements and capital resources.” Although the term “total balance sheet approach” does not appear to be well-defined by the IAIS, in practice it appears to mean that both assets and liabilities are valued on a market-consistent or market-adjusted basis, and capital requirements are based on the balance sheet impacts of various shocks. Paragraphs 90, 91, and 93, however, seem to imply a much different sort of “total balance sheet approach,” involving risk correlations, liquidity, off-balance sheet items, and net income. It is possible that the intent is simply to assess the impact of various influences on insurers’ balance sheets or liquidity positions. If this is the case, the use of the term “total balance sheet approach” may be unnecessarily confusing.	The total balance sheet approach is defined in the IAIS Glossary The intention is to analyse the interplay of assets and liabilities in the totality of the balance sheet under appropriate accounting and financial methodologies for each jurisdiction.
Q113 Comment on paragraph 88			
XXX. American Council of Life Insurers (ACLI)	USA	As discussed in our responses to Q110 and Q136, we believe the “reduced-form” approach should be removed from the Application Paper. We note that the IAIS has not held any substantive or technical discussions with stakeholders around these concepts and has not performed any analysis to demonstrate how they align with the channels for transmitting systemic risk the IAIS has embraced as the focal points of the Holistic Framework, which the IAIS acknowledged during the March 23 public background call.	The reduced-form approach is noted as an example method for identifying systemic risk. New text was included to recognise that these reduced-form approaches should be used on an ancillary basis and not in isolation in section 4.1.4.

Q114 Comment on paragraph 89			
172. Global Federation of Insurance Association	Global	This paragraph should be extended to better explain the relation and interplay between the IIM exercise on IAIS level and what is expected on jurisdictional level. It should be emphasized that data collection on both levels should be looked at in an integrated approach rather than duplicating efforts and burden.	An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link.
Q115 Comment on paragraph 90			
Q116 Comment on paragraph 91			
173. Central Bank of Ireland	Ireland	I think there is something to add here about "times of stress" being different for different sources of contingent financing, something along the lines of the following (but not sure if it is clear). When assessing the availability of contingent financing during times of stress it is important to note that the stress scenarios which impact the insurer and the provider of contingent financing may be markedly different. While the provider of the contingent financing may be robust under scenarios of extreme stress for the insurer, it does not follow that the contingent finance would be available under a less extreme scenario (from the insurer's perspective) emanating from a different suite of changes to the external environment.	Footnote was added to reflect point
Q117 Comment on paragraph 92			
174. Global Federation of Insurance Association	Global	While capital interconnectedness may be a valid concept in general, it should not be used to disapply the utility of securities issued by other financial institutions because financial systemic events do not generally impact insurers in the same way as other parts of the financial system due to the limited correlation with the economic cycle and financial market risks (as found eg. by the IAIS report on Insurance and Financial Stability, 2011). As such, insurers' liquidity and solvency needs do not automatically increase significantly	Text toned-down for supervisors to evaluate such securities

		during financial crises. Consequently, for insurers, the question of the value of different sources of capital is essentially a microprudential question linked to the riskiness of the asset. This is already well catered for by risk-based capital frameworks, such as Solvency II in Europe, and does not have a material, additional systemic angle beyond this..	
175. The Geneva Association	International	Whilst capital interconnectedness may be a valid concept in general, it should not be used to disapply the utility of securities issued by other financial institutions because financial systemic events do not generally impact insurers in the same way as other parts of the financial system due to the lack of correlation with the economic cycle and financial market risks (See IAIS 2011). As such, insurers' liquidity and solvency needs would not significantly increase during financial crises and should not therefore increase the demand for liquidity and solvency sources. As a matter of fact, the IAIS report on Insurance and Financial Stability (2011) stated that during the Global Financial Crisis, the insurance business model enabled the majority of insurers to withstand the crisis better than other financial institutions, in part due to the fact that insurance underwriting risks are not correlated with the economic business cycle and financial markets. Consequently, for insurers, the question of the value of different sources of capital is essentially a microprudential question of the riskiness of the asset. This is already well catered for by risk-based capital frameworks, such as Solvency II, and does not have a material additional systemic angle beyond this. The paper could reflect that insurers will manage their counterparty exposures and will have their own limits in this respect, consistent with their risk appetite, and may apply appropriate haircuts as part of their liquidity risk management. In addition, this section should acknowledge the importance of time horizons and the reality that insurers typically do not fail overnight. There is reference to the difference between insurance and banks when it comes to liquidity in paragraph 79 - but this is only part of the picture.	Refer to resolution to comment #174
176. The Life Insurance Association of Japan	Japan	- Paragraph 92 states securities issued by financial institutions should demand haircuts or be written-off as potential resources of liquidity or solvency. However, such special treatment of securities just because they are issued by financial institutions may adversely affect the appropriate assessment of liquidity or solvency of insurance	Refer to resolution to comment #174

		companies. - Since insurance companies set risk limits for each counterparty by considering counterparty exposures and the marketability of each asset, the treatment should not be differentiated just because instruments are issued by financial institutions.	
XXX. American Council of Life Insurers (ACLI)	USA	We encourage the inclusion of a reference to time horizons and the reality that insurers do not fail overnight. Paragraph 79 touches on the differences between banks and insurers with respect to liquidity, but more elucidation is needed.	Noted
Q118 Comment on paragraph 93			
177. Global Federation of Insurance Association	Global	The use of EBIT as an indicator is not clear. Profitability would not appear to be a useful indicator of the systemic influence of an insurer in the non-life industry as profitability may be strongly correlated with external events, such as catastrophes, as well as the insurance cycle. A consistently high EBIT could suggest that an insurer is especially resilient (assuming sound business management) and therefore of less concern from the perspective of financial stability than an insurer which makes less profit, or a loss. As such, it would not appear to make sense to use (high) EBIT to measure the potential systemic impact of an insurer..	A footnote was added to explain a persistently low or negative EBIT brings into question the financial viability of the insurer.
178. The Geneva Association	International	Geographic and economic diversification deserves to be dealt with more thoroughly than it is here as the fourth mitigating factor, particularly given that it is an important counterbalance to the "total assets/liabilities' indicator. With regard to table 3 : It's not clear how EBIT is being used here - e.g., is it low or high which is a concern? Profitability would not appear to be a useful indicator of the systemic influence of an insurer in the non-life industry as profitability may be strongly correlated with external events, such as catastrophes, as well as the insurance cycle. A consistently high EBIT could suggest that an insurer is especially resilient (assuming	Refer to resolution to comment #177

		sound business management) and therefore of less concern from the perspective of financial stability than an insurer which makes less profit, or a loss. We seek confirmation from the IAIS how it intends to use EBIT and whether a low or negative EBIT raise concerns.	
XXX. American Council of Life Insurers (ACLI)	USA	Again, we encourage the inclusion of a reference to time horizons and the reality that insurers do not fail overnight. Paragraph 79 touches on the differences between banks and insurers with respect to liquidity, but more elucidation is needed.	Noted
Q119 Comment on paragraph 94			
179. International Actuarial Association	International	Systemic risk activities could also include coverage of natural catastrophes.	Noted; the table is not meant to provide an exhaustive list of examples.
180. The Geneva Association	International	Table 4 within paragraph 94 indicates that guaranteed products could be a "systemic activity" due to "use of leverage" and "wide-spread under reserving." The link between guaranteed products and "use of leverage" is unclear and does not appear to be consistent with previous IAIS assessments of such products. In addition, the potential for under-reserving exists for all types of insurance products, not just guaranteed products.	A footnote was added to explain the use of leverage for guaranteed products. Leveraged instruments are those whose change in the underlying variable imply a larger change in the value of the instrument ie options.
XXX. American Council of Life Insurers (ACLI)	USA	Table 4 within paragraph 94 indicates that guaranteed products could be a “systemic activity” due to “use of leverage” and “wide-spread under reserving.” The link between guaranteed products and “use of leverage” is unclear and does not appear to be consistent with previous IAIS assessments of such products. In addition, the potential for under-reserving exists for all types of insurance products, not just guaranteed products.	Refer to resolution to comment #180
Q120 Comment on paragraph 95			
Q121 Comment on paragraph 96			

181. Global Federation of Insurance Association	Global	Regarding reinsurance recoverables: whilst a cedant relying on a reinsurer does introduce counterparty exposure, and therefore a degree of intra-industry interconnectedness, the IAIS recognises in its 2012 paper, "Reinsurance and financial stability' that: i. the effect of reinsurance is to dampen the propagation of shocks through the insurance market; and ii. although reinsurers can fail, in the past, primary insurers have typically absorbed the loss of reinsurance recoverables without a significant detrimental financial impact. As such, it is arguable that to have reinsurance recoverables available is a net benefit in terms of systemic impact, rather than a risk. The IAIS should avoid any implication that reinsurance introduces net systemic risk given the value of reinsurance as systemic shock absorber.	No change needed as the table merely lists examples of factors that may increase interconnectedness
182. The Geneva Association	International	Table 5 includes the "stock beta' as an indicator, stock beta is not necessarily an indicator of interconnectedness.	If an insurer has a high beta, 3 for example, that would be an issue of concern since typically the stock beta should be driven by the assets of the insurer. If the assets are very sensitive to market valuation there could be a balance sheet item with a lot of interconnectedness with financial markets.
183. Central Bank of Ireland	Ireland	Consider including investments in money market funds and other collective vehicles (including property funds). Unit linked versus non-linked is important to know. This approach (reinsurance recoverables) doesn't work well for longevity swaps, or for "binary event" reinsurance where the recoverables might be small but the impact on capital is large. Factor in collateral position too (or lack of it). Not sure how "off balance sheet" financing will be seen on the balance sheet?	Noted Refer to resolution to comment #184
184. National Association of Insurance	USA, NAIC	Table 5: We are not sure that it is appropriate to rely on the "exposure-balance sheet" indicator to assist in the identification of off-balance sheet financing. It may be better to refer to Financial Statement Disclosures or perhaps to say that there is no individual type of indicator.	Revision made to include financial statement disclosures

Commissioners (NAIC)			
XXX. American Council of Life Insurers (ACLI)	USA	The sensitivity of share price ignores the long-term economics of the life insurance business model. An adequate explanation of the relevance of this variable that is paired with balanced framing of the potential merits and shortcomings should be added to the paper.	Noted
Q122 Comment on paragraph 97			
185. The Geneva Association	International	We appreciate that there is recognition for the fact that statistical measures in reduced form can move due to temporary market turmoil, while the underlying fundamentals remain solid. This strengthens the point as to why we think that the reduced form approach should not be promoted in this paper.	The reduced-form approach is noted as an example method for identifying systemic risk. New text was included to recognise that these reduced-form approaches should be used on an ancillary basis and not in isolation in section 4.1.4.
XXX. American Council of Life Insurers (ACLI)	USA	It is good that the point on the volatility of certain non-economic indicators is acknowledged, but such shortcomings highlight the need to remove the “reduced-form” approach from the paper.	Refer to resolution to comment #185
Q123 Comment on paragraph 98			
186. The Geneva Association	International	Regarding reinsurance recoverables: whilst a cedant relying on a reinsurer does introduce counterparty exposure, and therefore a degree of intra-industry interconnectedness, the IAIS recognises in its 2012 paper, "Reinsurance and financial stability' that: i. the effect of reinsurance is to dampen the propagation of shocks through the insurance market; and ii. although reinsurers can fail, in the past, primary insurers have typically absorbed the loss of reinsurance recoverables without a significant detrimental financial impact.	The mitigating nature of reinsurance was acknowledged in Table 5.

		As such, it is arguable that to have reinsurance recoverables available is a net benefit in terms of systemic impact, rather than a risk. The IAIS should avoid any implication that reinsurance introduces net systemic risk given the value of reinsurance as a systemic shock absorber.	
XXX. American Council of Life Insurers (ACLI)	USA	The reference to the “inherent risk” that may underlay reinsurance recoverables could be misinterpreted. Reinsurance generally has a stabilizing effect to the extent it plays into interconnectedness at all. And should be kept in mind that the reinsurance market is quite small as compared to the direct or overall insurance market.	Refer to resolution to comment #186
Q124 Comment on paragraph 99			
Q125 Comment on paragraph 100			
187. Central Bank of Ireland	Ireland	We would suggest that this also references compensation schemes?	Revision made to reference policyholder protection schemes as that is the expression used in other IAIS material
188. General Insurance Association of Japan	Japan	It is stated in footnote 18 that "In principle, any public funding used for the resolution of the insurer should be recouped from the insurance sector in a transparent manner". We understand this sentence cites ICP12.2.3 which is not a requirement based on international regulations (A standard under ICP/CF). An explanation to this effect should be added so that the status of the wording is clarified within the AP.	Revision made to directly quote ICP 12.2.3
Q126 Comment on paragraph 101			
189. Global Federation of Insurance Association	Global	The guidance in the paper includes indicators to assess the impact to the non-financial sector and public sector. This is welcome as an understanding of materiality is important in determining whether risks are systemic. GFIA would suggest that this approach should also be extended to "the financial sector' since the current approach in the paper does not appear to provide adequate guidance for the assessment of materiality in this respect. History has shown that the share of reinsurance market is not a good indicator for limited substitutability. Past experience has shown that markets work very efficient by attracting	Noted

		new capital into reinsurance at the slightest signs of a supply shortening. Hence this indicator should be deleted from the list of examples.	
190. International Actuarial Association	International	The indicators of macroeconomic impacts are likely to vary by jurisdiction. For example, in most economies, an insurer is unlikely to employ a high enough proportion of the population for employment to be a key factor. Also, the relevance of footnote 19 is not clear.	True they can vary, this is why examples are used. Each jurisdiction can choose their own.
191. The Geneva Association	International	The guidance in the application paper includes indicators to assess impact to the non-financial sector and public sector which is welcome as an understanding of materiality is important in determining whether risks are systemic This approach should be extended to "the financial sector' also as the current approach in the paper does not seem to provide adequate guidance for the assessment of materiality in this respect.	Noted
Q127 Comment on paragraph 102			
192. Global Federation of Insurance Association	Global	The 2011 IAIS paper indicates that "insurance markets tend to be competitive" and that substitutability "does not appear to be an issue in most national markets, and probably even less so in global markets". This is echoed in the 2020 Holistic Framework, which states: "For most insurance business lines, competition is high and therefore limited substitutability is not likely to become a global systemic concern. However, there may be (niche) lines of business where only a few insurers dominate the market. In such markets, if the critical and short-term barriers to entry are high, the sudden withdrawal of important insurance coverage could, at a minimum, lead to increasing costs for those entities relying on these key services for their day-to-day business." Regarding the use of market power as a metric, it is crucial to be very careful in identifying relevant insurance lines / products and market delimitation. For example, without taking into account criticality of insurance cover it may be that the supervisor unwarrantedly and inadvertently overstates an insurer's systemic impact.	Refer to resolution to comment #193

193. The Geneva Association	International	The 2011 IAIS paper indicates that "insurance markets tend to be competitive" and that substitutability "does not appear to be an issue in most national markets, and probably even less so in global markets". This is echoed in the 2020 Holistic Framework, which states: "For most (re)insurance business lines, competition is high and therefore limited substitutability is not likely to become a global systemic concern. However, there may be (niche) lines of business where only a few insurers dominate the market. In such markets, if the critical and short-term barriers to entry are high, the sudden withdrawal of important insurance coverage could, at a minimum, lead to increasing costs for those entities relying on these key services for their day-to-day business." We suggest amending the application paper to include the following points regarding the use of market power as a metric: 1. The baseline for the market share (i.e., the 100% population) should equate to the total potential market, rather than the total actual market. Otherwise, the identification process would run the risk of identifying artificially high market shares in lines of business which are highly optional for policyholders. For example, health insurance may have a lower penetration in territories where there is state-provided healthcare because it is not a critical product. As such, using the actual market, rather than potential market, as the baseline would overestimate market shares. 2. There should also be a measure of the criticality of, and barriers to entry to, providing the withdrawn coverage. Without measuring criticality and barriers to entry, it may be that the regulator unwarrantedly and inadvertently overstates an insurer's systemic impact. For example: i.Criticality: given that cyber is a relatively new type of insurance it tends to be relatively concentrated (though still competitive) when compared to motor, for example. However, cyber cover is not legally required and therefore not business critical - both individual policyholders and the economy would be unaffected in the immediate term by the withdrawal of cyber insurance and, despite the relative concentration in this market, other insurers would likely fill at least part of the coverage gap (especially for those policyholders which consider such coverage to be high importance).	Agreed with the general concept of potential market share. A footnote was added to recognise with caution that since it is a potential share and not observable, the supervisor can only consider it.

		ii. Barriers: an insurer may have a large market share in motor due to its high quality, lower premiums, or effective branding. Motor is relatively high criticality to both individual policyholders and to the economy given that it is generally mandatory (for liability) and its absence would thus prevent economic activity. However, the barriers to entry may be very low due to high competition amongst remaining providers in the market, which would likely absorb the withdrawn cover at a similar price.	
Q128 Comment on paragraph 103			
Q129 Comment on section 4.1.2 Assessing systemic risk using the indicator-based approach			
194. General Insurance Association of Japan	Japan	As we commented on paragraph 78, the systemic importance of the insurance sector should be assessed within the entire financial system, including other sectors such as banking. Especially when using "relative scoring" to assess the insurers systemic risk, although paragraph 105 states that "Insurers overall score above thresholds as determined from the sample could be deemed systemically important, while those scoring below the thresholds would not be considered as systemically important financial institutions", insurers above the threshold should not be judged as indicative of systemic risk based on that score alone. We propose adding provisions to this effect within paragraph 105. When using "absolute scoring", although paragraph 106 states "In an absolute scoring system, supervisors set scoring thresholds according to supervisory judgement", it is necessary to set scoring thresholds including other sectors such as banking. We propose adding provisions to this effect within paragraph 106.	Relative and absolute scoring are methodologies that jurisdictions can use along with supervisory judgement.
Q130 Comment on paragraph 104			
195. The Geneva Association	International	This paragraph includes the sentence "this may be based on a binary pass/fail approach, or supervisors could also employ a proportional approach…" We suggest deleting the pass/fail sentence.	Relative and absolute scoring are methodologies that jurisdictions can use along with supervisory judgement. In any event some criterion has to be fulfilled in order for an insurer to qualify for additional scrutiny.

196. General Insurance Association of Japan	Japan	Please refer to our comments on Q129 (section 4.1.2).	Refer to resolution to comment #194
Q131 Comment on paragraph 105			
197. Global Federation of Insurance Association	Global	In light of the limited systemic risk of the insurance sector, relative measures of systemic relevance could easily lead to the over-identification of systemic relevance of the insurance sector. In particular, relative scoring risks designation of insurers based on local characteristics, rather than their systemic footprint.	This is why we include absolute scoring as well, including proportionality and supervisory judgement in the text.
198. International Actuarial Association	International	Footnote 20 relating to the Z-score could be explained as this term may not be known to all readers	Revision made for clarity
199. The Geneva Association	International	In paragraphs 105 (relative scoring) and 106 (absolute scoring), it is stated that insurers that exceed the threshold could be deemed systemically important. This is problematic since it may appear to be reinstating the entity-based approach (EBA) in preference to the activity-based approach (ABA) envisioned by the IAIS Holistic Framework on Systemic Risk in the Insurance Sector adopted in 2019.	An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link.
200. General Insurance Association of Japan	Japan	Although it is stated that "Insurers overall score above thresholds as determined from the sample could be deemed systemically important, while those scoring below the thresholds would not be considered as systemically important financial institutions", as we commented on Q129 (section 4.1.2), insurers above the threshold should not be judged as indicative of systemic risk based on that score alone. As such, we propose adding provisions to this effect within paragraph 105.	Refer to resolution to comment #194
201. The Life Insurance	Japan	(For Paragraphs 105 - 109) - We would like to confirm the statements in Paragraphs 105-109 are for reference only	Supervisors have discretion in applying methodologies pertaining to ICP 24. The IAIS does not provide standards to follow specific

Association of Japan		and are not intended to require the application of such an indicator-based approach as a methodology for supervisors to assess systemic risk in all jurisdictions.	methodologies, this paper only presents examples of types of methodologies.
202. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Editorial: Insurers' overall score above thresholds as determined from the sample could be deemed systemically important, while those scoring below the thresholds would not be considered as systemically important financial institutions.	Revision made
Q132 Comment on paragraph 106			
203. General Insurance Association of Japan	Japan	As described in our comment on Q129 (section 4.1.2), although paragraph 106 states that "In an absolute scoring system, supervisors set scoring thresholds according to supervisory judgement", it is necessary to set scoring thresholds including other sectors such as banking. As such, we propose adding provisions to this effect within paragraph 106.	Refer to resolution to comment #201
Q133 Comment on paragraph 107			
Q134 Comment on paragraph 108			
Q135 Comment on paragraph 109			
Q136 Comment on section 4.1.3 Reduced-form approach			
204. Global Federation of Insurance Association	Global	The industry is concerned about the indicator-based approach as it also applies to the reduced-form approach, as long as it is directed at identifying individual insurers or groups. It diverges inappropriately from the spirit of the IAIS' holistic framework and its move towards a more balanced approach between scrutinising activities and entities. Insurers are sceptical that this can contribute much to the identification of systemic risk, as assessing the systemic importance of insurers purely relying on statistical relationships has severe limitations and could often lead to misinterpretations. GFIA also notes that the IAIS has recognized that provision of traditional insurance,	The reduced-form approach is noted as an example method for identifying systemic risk. New text was included to recognise that these reduced-form approaches should be used on an ancillary basis and not in isolation in section 4.1.4.

		including non-life insurance, generates little systemic risk. In fact, GFIA believes that it is primarily a systemic risk mitigant, rather than a systemic risk generator.	
205. International Actuarial Association	International	There should be more commentary on the weaknesses of reduced-form approaches - pros and cons are given in Table 9 in paragraph 124 but there needs to be some commentary on their use in practice e.g., to say when they may or may not be applicable.	Refer to resolution to comment #204
206. The Geneva Association	International	The concept of a reduced-form approach and various frameworks within this section are not components of the Insurance Core Principles or the Common Framework for the Supervision of Internationally Active Insurance Groups, which the Application Paper is intended to support. As such, we believe their inclusion results in the introduction of new standards or expectations for supervisors and is therefore inconsistent with the role of Application Papers (see paragraph 4). Further, the reduced form approaches are wholly inappropriate for the life insurance industry as they can be overly complex, prone to volatility, and based on "black box" methodologies and market-related data and variables. We note several concerns with including reduced form approaches within macroprudential oversight, including that: o These models were designed in response to the global financial crisis of 2007 to 2009, and therefore might be subject to anchoring bias and not be as relevant in assessing alternative conditions or scenarios than those that prevailed during the global financial crisis. o The methodologies and outputs are typically managed by third parties, and supervisors will therefore not have control over, nor even insight into, the mechanics and behavior of the resulting measures. As an example, supervisors should first have a thorough understanding of the drivers and sensitivities of modeled outputs (including the potential for "false positives" and precision bias), before applying them in an applied setting. o These approaches depend on assumptions that might not appropriately reflect an insurance group's financial condition, including its capital adequacy, leverage, and resolvability. For example, the resolution of a failing insurance entity typically occurs over a more measured and gradual horizon than for banks, which are subject to "run risks"	Refer to resolution to comment #204

		and cliff-edge failures. Additionally, these models tend to focus exclusively on prospective capital-related impacts, whereas much of the holistic framework is, appropriately, focused more on liquidity pressures as a potential transmission mechanism. An exclusive reliance on potential capital shortfalls fails to capture the broader liquidty and resolution dimensions that are critical to assessing how systemic risk events tend to propagate across the financial sector. Finally, coverage of these models is typically limited to publicly traded insurance groups operating in deep and liquid equity markets. There is therefore a scope challenge, in that these models would not adequately apply to mutuals, smaller insurance groups, operating subsidiaries, and groups operating in emerging markets or developing economies. For all these reasons, we urge the IAIS to remove the reduced-form approach concept and related frameworks from the application paper.	
207. American Property Casualty Insurance Association (APCIA)	USA	Our concerns about the indicator-based approach also apply to the reduced-form approach, as long as it is directed at identifying individual insurers or groups. It diverges inappropriately from the spirit of the IAIS' holistic framework and its move toward an activities-based approach, as well as the shift from an entity-based to an activities-based approach in major jurisdictions such as the United States. We also note that the IAIS has recognized that provision of traditional insurance, including non-life insurance, generates little systemic risk. In fact, we believe that it is primarily a systemic risk mitigant, rather than a systemic risk generator.	Refer to resolution to comment #204
208. Liberty Mutual Insurance Group	USA	The lengthy discussion of a "reduced-form approach" is a clear example of how the Application Paper has strayed from the ABA endorsed in the Holistic Framework. This analytic tool has applicability only in connection with identifying individual insurers as possible sources of systemic risk, which is a concept that that the ABA largely rejects. This entire section should be deleted from the Application Paper.	Refer to resolution to comment #204
XXX. American Council of Life Insurers (ACLI)	USA	ACLI also has a fundamental concern with Section 4.1.3 and the IAIS' introduction of the "reduced-form" approach. As a matter of governance, we are concerned with the endorsement of frameworks that have not been vetted by the IAIS or subject to public consultation. These frameworks, and the notion of a "reduced-form" approach more	Refer to resolution to comment #204

		broadly, cannot be found within the Insurance Core Principles or the Common Framework for the Supervision of Internationally Active Insurance Groups, which the Application Paper is intended to support. As such, we believe their inclusion results in the introduction of new standards or expectations for supervisors and is therefore inconsistent with the role of Application Papers (see paragraph 4), Further, the "reduced-form" approaches are wholly inappropriate for the life insurance industry. Short comings include failing to recognize the long-term nature of the life insurance business model, ignoring risk management considerations entirely, having no demonstrable connection to the channels for transmitting systemic risk the IAIS has embedded as the focal points of the Holistic Framework. We urge the IAIS to remove the "reduced-form" approach concept and related frameworks from the application paper.	
Q137 Comment on paragraph 110			
209. Global Federation of Insurance Association	Global	The examples of "reduced form approach' to assessing systemic risk include indicators such as SRISK. This is inconsistent with the guidance in ICP24 which notes that supervisors should take a total balance sheet approach. Hence the large focus on reduced-form approaches clearly goes beyond or even against ICP 24 and therefore should be avoided in the Application Paper.	Refer to resolution to comment #204
210. The Geneva Association	International	ICP 24.3.1 requires supervisors to take a total balance sheet approach when considering the potential systemic importance of an insurer. Hence the large focus on reduced-form approaches clearly goes beyond or even against ICP 24 and hence should be avoided in the Application Paper. The IAIS has not held any substantive or technical discussions with stakeholders on the appropriateness of these frameworks or illustrated how they are connected to the channels for transmitting systemic risk that the IAIS has embraced as the focal points of the Holistic Framework. In addition this paragraph implies that market pricing is an indicator of systemic risk - a view we strongly disagree with.	Refer to resolution to comment #204
211. The Life Insurance Association of Japan	Japan	(For Paragraphs 110 - 124) - The "reduced-form approach" is mainly designed for public companies (listed companies). As stated in Paragraph 112 and Cons in Table 9, the model may not function effectively for unlisted companies.	Refer to resolution to comment #204

		- As many players in the Japanese life insurance industry are unlisted companies, we would like to confirm the "reduced-form approach" is not intended to be applied in all jurisdictions and the assessment method most suitable to the circumstances of each jurisdiction can be selected.	
212. National Association of Insurance Commissioners (NAIC)	USA, NAIC	It is tautological that markets correctly price the market value; suggest: Behind this methodology, is the assumption that markets are efficient and correctly price the value of assets and liabilities.	Revision made
XXX. American Council of Life Insurers (ACLI)	USA	We believe the assumption that market pricing is an indicator of systemic risk is deeply flawed and, among numerous shortcomings, fails to account for the long-term nature of the life insurance business model.	Refer to resolution to comment #204
Q138 Comment on paragraph 111			
213. The Geneva Association	International	This paragraph implies that market pricing is an indicator of systemic risk - a view we strongly disagree with	Refer to resolution to comment #204
XXX. American Council of Life Insurers (ACLI)	USA	See response to Q137	Refer to resolution to comment #204
Q139 Comment on paragraph 112			
214. The Geneva Association	International	This paragraph highlights an important inconsistency as to how the reduced form models would be applied across the market and hence their (in)ability to facilitate a market wide macro assessment.	Refer to resolution to comment #204

215. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Editorial: Reduced form models require an abundance of data to do appropriate time series econometric analysis with publicly available data for publicly traded entities.	Revision made
XXX. American Council of Life Insurers (ACLI)	USA	This paragraph highlights an inconsistency in how the “reduced-form” approach would be applied across the market, as well as the ability to facilitate a market-wide macro assessment. To the extent the IAIS retains the “reduced-form” approaches in the application paper it must address the question of how tools that cannot be applied to all insurers (e.g., mutual insurers who engage in the same activities as stock companies) can serve as an appropriate lens for assessing systemic relevance. It would not make sense to recommend the approach’s wide application.	Refer to resolution to comment #204
Q140 Comment on paragraph 113			
Q141 Comment on paragraph 114			
Q142 Comment on paragraph 115			
216. The Geneva Association	International	The paragraph states "if the model is properly estimated, it shows the sensitivity of an insurer to extreme movements of the market" The IAIS does not explain how this relates to the potential systemic exposures, activities and transmission channels described in ICP 24. It goes on by stating "there is a good chance that the insurer may be systemic", there is however no rationale provided as the basis for this statement, nor a recognition of non-economic volatility nor recognition for the long-term nature of the insurance business model.	Refer to resolution to comment #204
XXX. American Council of Life Insurers (ACLI)	USA	This paragraph fails to explain how the Marginal Expected Shortfall relates to the potential systemic exposures, activities and transmission channels described in ICP 24. There is also no recognition of non-economic volatility of the approach or the long-term nature of the life insurance business model. Finally, the IAIS has provided no rationale to explain or support the statement that “If the market is in systemic distress and the loss of	Refer to resolution to comment #204

		equity value is worse than that of the market, there is a good chance that the insurer may be systemic". To the extent this section is retained, a sound explanation must be added.	
Q143 Comment on paragraph 116			
Q144 Comment on paragraph 117			
217. Global Federation of Insurance Association	Global	The examples of "reduced form approach' to assessing systemic risk include indicators such as SRISK. This is inconsistent with the guidance in ICP24 which notes that supervisors should take a total balance sheet approach.	Refer to resolution to comment #204
218. The Geneva Association	International	The assumptions made in this paragraph may not be appropriate in the context of insurance, considering the long-term nature of the business and the potential to access off-balance sheet capital, to just name a couple of reasons.	Refer to resolution to comment #204
XXX. American Council of Life Insurers (ACLI)	USA	SRISK as a macroprudential measure fails to recognize or consider the long-term nature of the business, potential access to off-balance sheet capital, potential supervisory flexibility, disconnects between GAAP/market measures and statutory, etc. and, like the other reduced-form" approaches, should be removed from the Application Paper. If, however, it is retained, the paper should acknowledge these shortcomings.	Refer to resolution to comment #204
Q145 Comment on paragraph 118			
Q146 Comment on paragraph 119			
Q147 Comment on paragraph 120			
Q148 Comment on paragraph 121			
219. International Actuarial Association	International	It might be useful to further clarify the definition and scope of financial market return in this context.	Noted

Q149 Comment on paragraph 122			
Q150 Comment on paragraph 123			
Q151 Comment on paragraph 124			
220. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Table 9: Editorial: Based on publicly available information and real time data Not all companies may be publicly traded, thus many of the measures may not be calculated	Revision made
Q152 Comment on section 4.1.4 Comparison between indicator-based and reduced form identification			
Q153 Comment on paragraph 125			
Q154 Comment on paragraph 126			
XXX. American Council of Life Insurers (ACLI)	USA	Please refer to our responses to Q110, Q113 and Q136.	Refer to resolution to comment #204
Q155 Comment on paragraph 127			
Q156 Comment on paragraph 128			
221. The Geneva Association	International	Given the unproven nature of the reduced form approaches and shortcomings highlighted in paragraphs 126 and 127, tt is unclear why their use in any manner is promoted as good practice. In addition, no guidance on interpretation of results is provided.	Refer to resolution to comment #204
XXX. American Council of Life Insurers (ACLI)	USA	Given the unproven nature of the “reduced-form” approaches and shortcomings highlighted in paragraphs 126 and 127 we question the grounds on which the IAIS is basing its guidance that using or blending the results with other approaches would be “a	Refer to resolution to comment #204

		good practice". Similarly, the IAIS has offered no guidance on what "good practice" jurisdictions should follow if/when the results of the "reduced-form" approach and other assessment methods deliver different/conflicting identifications of systemic.	
Q157 Comment on paragraph 129			
222. Global Federation of Insurance Association	Global	The paper is largely silent on involving the insurer in the supervisors' findings. ICP 24.3.4 states that "the supervisor should communicate the findings of its assessment as appropriate, to either individual insurers or the sector." This paragraph refers only to communicating the "assessment methodologies' and "regular engagements to reduce systemic footprint', whereas ICP 24.3.4 clearly refers to communicating "findings" to the insurer(s), which is not included in this paragraph or elsewhere in the paper. This paragraph and others would therefore be improved if amended to include the appropriate interaction between the supervisor and the insurer(s), particularly setting out the need for supervisors to clearly articulate and quantify the scale of any potential systemic risk when communicating with the insurer(s). It would make most sense for this to take place after communicating/discussing assessment methodologies but before engagement to reduce systemic footprint. Efforts should be taken to ensure there is a common understanding of the risks between the supervisor and the insurers and where so, insurers should be given the opportunity to set out how such risk can be mitigated or managed before any further action, i.e. actions to reduce systemic risk, is considered. If there is a formal identification methodology for identifying systemically important insurers, it should include an « off-ramp » whereby insurers may know what they must do to de-risk and exit such identification. Failure to include such a mechanism was a significant defect in some of the initial attempts to deal with systemic risk after the global financial crisis. In addition, supervisors should also be aware that the effect of relying on certain metrics to designate insurers as systemic could incentivise behaviour to exit or avoid such a designation that could have negative consequences on systemic stability themselves. For example, substitutability is one of the three factors mentioned in paragraph 87 as a basis to identify systemically important insurers. The risk of doing so is that insurers are incentivised to reduce their activities in a particular market for which there is limited	Text is included for regular engagement and communication between the insurer and supervisor

		substitutability, which would in itself cause the impact supervisors were intending to avoid. As such, supervisors must be sure that the potential impact of using such factors is fully considered.	
223. The Geneva Association	International	Supervisors should also be aware that the effect of relying on certain metrics to designate insurers as systemic will incentivise the reverse of that behaviour to exit such a designation. This should be reflected in the paper. For example, substitutability is one of the three factors mentioned in paragraph 87 as a basis to identify systemically important insurers. The risk of doing so is that insurers are incentivised to reduce their dominance in a particular market for which there is limited substitutability, which would in itself cause the impact supervisors were intending to avoid. As such, supervisors must be sure that use of such factors is fully considered. The application paper should also recognize that communication between insurers and supervisors before and during the assessment of systemic risk is important as it will enable the insurer to understand the scale of the risk and how it can be mitigated as well as allows the insurers to assess how regulatory concerns can be addressed/ mitigated.	Refer to resolution to comment #222
224. American Property Casualty Insurance Association (APCIA)	USA	We do agree that, if there is a formal identification methodology for identifying systemically important insurers, it should include an « off-ramp » (process for removal of identification) whereby insurers may know what they must do to de-risk and exit such identification. Failure to include such a mechanism was a significant defect in some of the initial attempts to deal with systemic risk after the global financial crisis.	Noted
Q158 Comment on paragraph 130			
225. Global Federation of Insurance Association	Global	Regarding their assessment of systemically important insurers, the insurance sector very much supports that supervisors should narrow the scope of insurers using proportionality. In this way, overburdening undertakings and supervisors can be avoided, keeping costs and benefits in line. This chapter explains how individual insurers and the insurance sector as a whole could	Supervisory judgement and communication with the insurer as well as proportionality will determine these considerations.

		be assessed for systemic relevance while giving little details on the appropriate frequency of such assessments (para 130 could be understood in a way that this is to be done on a yearly basis). ICP 24.3 is silent about this point and only requires an established process to be in place. Hence the Application Paper should make it clear that there is no expectation to have such an assessment for individual insurers or the sector as a whole on a yearly basis (or any other given frequency). It should be emphasized in the Application Paper that supervisors are free to conduct such an assessment on an ad-hoc basis when they feel drivers of systemic importance have changed significantly enough for individual insurers or the sector as a whole since the last assessment to justify the costs of a re-assessment.	
226. The Geneva Association	International	This paragraph reinforces the old idea that large equals systemic, the scope of insurers should be based on degree of engagement in activities determined to be potential sources of systemic risk from a market or real economic perspective.	Noted
XXX. American Council of Life Insurers (ACLI)	USA	This paragraph seems to support a return to the former belief that large is a synonym for systemic. Such a view is not reflective of the Holistic Framework and should be removed from the Application Paper.	Noted
Q159 Comment on paragraph 131			
Q160 Comment on section 4.2 Assessing systemic importance of the insurance sector			
227. The Geneva Association	International	The section on sector-wide monitoring should be where the focus of the paper lies.	An explanation was provided in the introduction to the Application Paper on the key elements of the Holistic Framework, the difference between what is expected on jurisdictional level (ICP 24 and the AP) as compared to the global level (GME), and how the two link. The IAIS acknowledges that section 4 of the Paper could be perceived to be somewhat biased towards individual insurer systemic risk assessments. On a global level, limited work

			and studies have been done on sector-wide systemic risk assessments as past and current experiences have been largely focused on individual insurer assessments. This matter could possibly be considered as a future area of focus for the IAIS as jurisdictions continue to develop methods and techniques over time to enhance their systemic risk assessment frameworks for sector-wide monitoring. Text was added in a new Section 4.3, highlighting the important interplay between systemic risk assessment at the individual insurer level and sector-wide level, and that methods and techniques are still in the development phase for sector-wide analysis.
XXX. American Council of Life Insurers (ACLI)	USA	We urge this application paper to be refocused on sector-wide monitoring, as much of it reinforces previously discarded assumptions that size correlates with systemic risk, which is inconsistent with the direction of the IAIS' systemic risk work—e.g., suspension and potential elimination of firm designations by the FSB in 2022.	Refer to resolution to comment #227
Q161 Comment on paragraph 132			
228. Global Federation of Insurance Association	Global	The statements in Paragraphs 132 and 136 that the sector could be considered systemically risky if one insurer is deemed systemically important is overbroad and does not reflect the fact that a systemically important insurer may be conducting significant non-insurance activities.	Supervisory judgement and communication with the insurer as well as proportionality, as mentioned in the text, will determine these considerations.
229. General Insurance Association of Japan	Japan	While it is stated that "Supervisors should take into consideration this sector-wide approach when assessing systemic importance", as described in our comment on Q101 (paragraph 78), the systemic importance of the insurance sector should be assessed within the framework of the entire financial system including other sectors such as banking.	Noted

230. American Property Casualty Insurance Association (APCIA)	USA	The statements in Paragraphs 132 and 136 that the sector could be considered systemically risky if one insurer is deemed systemically important is overbroad and does not reflect the fact that a systemically important insurer may be conducting significant non-insurance activities.	Refer to resolution to comment #228
Q162 Comment on paragraph 133			
231. The Geneva Association	International	As to the third bullet, it is unclear how this promotes macroprudential surveillance or market wide assessment of activities, as the scope of companies that develop resolution plans will likely be small.	Text was included under section 4.2.3 to further explain how recovery and resolution plans can be useful.
XXX. American Council of Life Insurers (ACLI)	USA	It is unclear how resolution and recovery plans promote macroprudential surveillance or market-wide assessment of activities, as the scope of companies that develop these will likely be small and provide insufficient insight into activities across a jurisdiction	Refer to resolution to comment #231
Q163 Comment on section 4.2.1 Macroprudential sector-wide stress tests			
232. Global Federation of Insurance Association	Global	Sector-wide stress tests can be an important tool for macroprudential surveillance, e.g. the current stress testing exercises by EIOPA. However, it is important to avoid too much complexity and too far-reaching interpretations.	Noted
Q164 Comment on paragraph 134			
Q165 Comment on paragraph 135			
Q166 Comment on section 4.2.2 Sector-wide systemic risk assessment			
Q167 Comment on paragraph 136			
233. Global Federation of	Global	The statements in Paragraphs 132 and 136 that the sector could be considered systemically risky if one insurer is deemed systemically important is overbroad and does	Supervisory judgement and communication with the insurer as well as proportionality, as

Insurance Association		not reflect the fact that a systemically important insurer may be conducting significant non-insurance activities.	mentioned in the text, will determine these considerations.
234. The Geneva Association	International	We suggest deleting "and reduced forms" from the first sentence of this paragraph.	Refer to resolution to comment #204
235. American Property Casualty Insurance Association (APCIA)	USA	The statements in Paragraphs 132 and 136 that the sector could be considered systemically risky if one insurer is deemed systemically important is overbroad and does not reflect the fact that a systemically important insurer may be conducting significant non-insurance activities.	Refer to resolution to comment #233
236. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Editorial: However, as noted above, the aggregate impact of insurers that have not been identified as systemically risky should also be considered when evaluating the systemic risk of the sector as a whole.	Revision made
XXX. American Council of Life Insurers (ACLI)	USA	We again urge the striking of all references to the "reduced-form" approach. Please refer to our responses to Q110, Q113 and Q136.	Refer to resolution to comment #204
Q168 Comment on paragraph 137			
237. Global Federation of Insurance Association	Global	GFIA supports the IAIS's approach that supervisors should use the proportionality principle to decide on the scope of insurers included in the sector-wide systemic risk assessment. The principle of proportionality should consistently be based on the actual level of risks taken in a business model or activity.	Noted

XXX. American Council of Life Insurers (ACLI)	USA	We believe the references to regulator discretion and proportionality when conducting systemic risk evaluations are more appropriate framing than that contained in paragraph 15, which proposes the use of size and market share and runs contrary to the direction of the IAIS's work on systemic risk.	Noted
Q169 Comment on section 4.2.3 Evaluation of recovery and resolution plans			
Q170 Comment on paragraph 138			
238. General Insurance Association of Japan	Japan	While it is stated in footnote 28 that "Resolution planning is subject to an "as necessary" requirement in ICP 12", as described in ICP 16.15 and CF 16.15.a, recovery plans are also prepared as needed for insurers other than IAIGs. For clarification, we propose adding provisions to this effect. (Reference) ICP16.15 The supervisor requires, as necessary, insurers to evaluate in advance their specific risks and options in possible recovery scenarios. CF 16.15.a The group-wide supervisor requires the Head of the IAIG to: … review and update the recovery plan on a regular basis, or when there are material changes; and …	The footnote was revised to refer to both recovery and resolution planning
Q171 Comment on paragraph 139			
Q172 Comment on paragraph 140			
Q173 Comment on section 4.2.4 Evaluation of the sector-wide exposure to systemically risky activities			
Q174 Comment on paragraph 141			
239. The Life Insurance Association of Japan	Japan	(For Paragraphs 141 and 142) - As for applying the indicators listed as an example, we understand that supervisors need to collect data from individual insurance companies. Therefore, it should be stated	Noted

		in the Application Paper that communication between supervisors and individual insurance companies will take place in order to avoid any confusion because of unexpected changes or addition to the indicators.	
Q175 Comment on paragraph 142			
240. General Insurance Association of Japan	Japan	While it is stated in footnote 30 that "Ideally, any cross holding of debt between insurers should carry large penalties in the form of capital charges to discourage interconnectedness", the statement should be deleted as no capital charges should be imposed solely on the grounds of cross holding.	The text on capital charges for cross holdings of liabilities issued by other financial institutions was toned-down. However, the qualification was kept that the supervisor should keep a close eye on these holdings.
Q176 Comment on section 4.2.5 Cross-sectoral analysis			
241. General Insurance Association of Japan	Japan	As we commented on Q101 (paragraph 78), the systemic importance of the insurance sector should be assessed within the entire financial system including other sectors such as banking. In addition, the supervisory assessment process should begin by conducting the cross-sectoral analysis described in Section 4.2.5 (paragraphs 143 and 144) to assess the systemic importance of the insurance sector within the financial system. We propose specifying this in the AP.	Noted
Q177 Comment on paragraph 143			
Q178 Comment on paragraph 144			
Q179 Comment on section 5 Supervisory response			
242. Institute of International Finance	United States	We reiterate our call for greater dialogue among supervisors and the senior management of an insurer before adopting a supervisory response or taking supervisory measures. Rule-based automatic triggers (see Table 10) are particularly vulnerable to misapplication and should be avoided. Rather, the focus should be on the development of a toolbox of measures that can be applied with supervisory discretion after full consideration and discussion with management of the insurer regarding the circumstances leading to supervisory concern.	It is agreed that dialogue between supervisors and senior management of an insurer is implicit and should take place on an on-going basis. The listed supervisory measures are examples that can be applied to insurers whether based on an automatic trigger, supervisory judgement,

		As noted in Paragraph 34 of the Holistic Framework, exposure to a vulnerability depends on how an activity is managed. Enhancements to enterprise risk management can best address risk management deficiencies at an insurer, and supervisors should be advised to direct management to develop those enhancements as a first response. Restrictions on business activities and other intrusive measures detailed in Paragraph 161 should be a last resort in a ladder of intervention that begins with the least intrusive measures. We agree with the focus on insurer-led measures in Paragraph 162, as the insurer best understands its risk profile. We also agree with the need for the supervisor to document and communicate to the insurer the precise assessment of potential systemic exposures or activities that led to the requirement (Paragraph 163). The impact of supervisory measures on the insurer's ability to continue to meet policyholder needs under existing and new contracts should also be considered.	or a mixed approach depending on the preference of the jurisdiction.
Q180 Comment on section 5.1 Introduction			
Q181 Comment on paragraph 145			
Q182 Comment on paragraph 146			
243. The Geneva Association	International	We support the framing in this paragraph and suggest framing relative to the Holistic Framework to be used elsewhere in the paper - i.e., points on supervisors should also have the "necessary flexibility to tailor their supervisory" approaches for assessing risks of the sector or an insurer	Noted
XXX. American Council of Life Insurers (ACLI)	USA	The points raised in this paragraph, particularly around regulatory tailoring and flexibility relative to the Holistic Framework for assessing systemic risk, should be seeded throughout the application paper.	Noted
Q183 Comment on paragraph 147			
244. General Insurance	Japan	We propose adding "refer to paragraph 84" to clarify that the substitutability described in paragraph 147 is the same as that described in paragraph 84.	Reference is made to Section 4.

Association of Japan		As we commented on Q107 (paragraph 84), there are a sufficient number of players in the insurance market, and it is easy to replace coverage in most cases even in the event of an insurer failing, so in our view situations in which lack of substitutability contributes to systemic risk are limited.	In most cases it may be quite easy to replace a failing (re)insurer, while in other cases, such as niche lines, it may be more difficult and /or take a longer period of time to do so.
Q184 Comment on paragraph 148			
Q185 Comment on paragraph 149			
245. General Insurance Association of Japan	Japan	In terms of triggers, it should be specified that they will be utilized appropriately according to the objectives and situation bearing in mind the characteristics of the two different triggers, and that dialogues (such as public consultations) should be conducted with insurers when considering their utilization.	Refer to resolution to comment #242
Q186 Comment on paragraph 150			
246. Global Federation of Insurance Association	Global	Supervisory actions can harm a company and its policyholders and send the wrong signals to other insurers. The paper should reflect that supervisory discretion is essential to crafting appropriate supervisory actions, especially in the case of IAIGs where relevant supervisors in other jurisdictions may need to be brought into the discussion of how to address a particular supervisory issue.	Reference is made to ICP 25 Supervisory Cooperation and Coordination for further guidance
247. American Property Casualty Insurance Association (APCIA)	USA	Supervisory actions can harm a company and its policyholders and send the wrong signals to other insurers. The paper should reflect that supervisory discretion is essential to crafting appropriate supervisory actions, especially in the case of IAIGs where relevant supervisors in other jurisdictions need to be brought into the discussion of how to address a particular supervisory issue.	Refer to resolution to comment #246
XXX. American Council of Life Insurers (ACLI)	USA	This paragraph seems to mix market-wide and individual insurer analysis. This may be improved by clearly delineating between the two categories. With respect to individual insurers, the need for confidentiality should not be lost.	This comment does not seem to relate to this paragraph
Q187 Comment on section 5.2 Types of supervisory responses			

248. Global Federation of Insurance Association	Global	The insurance industry supports a holistic supervisory framework and complementing microprudential supervision by a macroprudential perspective. Effective microprudential supervision and existing microprudential tools already go a very long way in addressing potential systemic risks. With respect to any macroprudential measures it is crucial that there is a strict and consistent application of the proportionality principle and that measures are clearly targeted to a specific systemic risk identified. In addition, it is important to note that though some tools can be applied with a micro- or macroprudential perspective, not every microprudential tool is suited for macroprudential purposes. For example, for the insurance industry, a blanket ban on distributions is not a suitable macroprudential instrument. Such an extensive intervention seems disproportionate in principle. Even regarding individual undertakings it should only be used as an ultima ratio. Accordingly, ICP 10.2 requires that the insurer is likely to operate in a manner that is inconsistent with regulatory requirements. This requirement must not be undermined by macroprudential considerations unrelated to the individual situation of an insurer. In addition, potential counterproductive effects need to be taken into account. Dividend distributions are indispensable for an appropriate capital allocation within groups. Therefore, prohibiting dividend distributions within a group instead of enhancing financial stability can even have destabilising effects. Non-availability of dividends to external investors can also be counterproductive from a macroprudential perspective. With respect to potential macroprudential tools, it is also crucial to ensure consistency and coherence of the supervisory system. For example, in a supervisory system that uses a principle-based prudent person approach, exposure limits for certain assets should be avoided.	The measures described in ICP 10.2 may also be applied if an insurer or group of insurers, with common exposures, operate in a manner that could pose a threat to financial stability. In addition, refer to ICP 24.4.4. 10.2 The supervisor requires preventive measures if the insurer seems likely to operate in a manner that is inconsistent with regulatory requirements. 24.4.4 Specific supervisory responses may relate to: • requirements on insurers: enterprise risk management (see ICP 16 Enterprise Risk Management for Solvency Purposes); disclosures (see ICP 20 Public Disclosure); • preventive or corrective measures (see ICP 10 Preventive Measures, Corrective Measures and Sanctions); and • crisis management and planning: crisis management, including crisis management groups (see ICP 25 Supervisory Cooperation and Coordination); and recovery and resolution planning (see ICP 12 Exit from the Market and Resolution and ICP 16 Enterprise Risk Management for Solvency Purposes).
Q188 Comment on paragraph 151			
249. Global Federation of	Global	GFIA appreciates the recognition in this paragraph that appropriate microprudential supervision is a significant systemic risk mitigating factor. This is illustrated throughout the rest of the paper's discussion of supervisory responses.	Noted

Insurance Association			
250. American Property Casualty Insurance Association (APCIA)	USA	We appreciate the recognition in this paragraph that appropriate microprudential supervision is a significant systemic risk mitigant. This is illustrated throughout the rest of the paper's discussion of supervisory responses.	Noted
Q189 Comment on paragraph 152			
Q190 Comment on section 5.2.1 Strengthening the ERM framework			
Q191 Comment on paragraph 153			
Q192 Comment on paragraph 154			
251. Global Federation of Insurance Association	Global	It is stated that "If a potentially systemic exposure is identified by trends in certain risks and activities in the macroprudential analysis, supervisors should require insurers to strengthen their ERM framework." Scenarios need to be well thought out so that it is neither an excessively large nor long-term event, but a reasonably probable event. In addition, when forming the scenarios, the basis should be clearly stated such as whether insurance companies are considered as a going concern, or avoiding resolution. GFIA therefore proposes adding the above two points to this AP as matters which supervisors should consider and address.	The footnote seems to adequately address concerns raised. Also refer to revisions made in the following paragraph.
252. General Insurance Association of Japan	Japan	It is stated that "If a potentially systemic exposure is identified by trends in certain risks and activities in the macroprudential analysis, supervisors should require insurers to strengthen their ERM framework." We think that insurers may be required to recapitalize or reduce their risk exposure to meet specific scenarios if stress tests are conducted by the supervisors.	Refer to resolution to comment #251

		Therefore, scenarios need to be well thought out so that it is neither an excessively large nor long-term event, but a reasonably probable event. In addition, when forming the scenarios, the basis should be clearly stated such as whether insurance companies are considered as a going concern, or avoiding resolution. We propose adding the above two points to this AP as matters which supervisors should consider and address.	
Q193 Comment on paragraph 155			
253. Global Federation of Insurance Association	Global	Further requirements in ERM development should be avoided as companies must already consider all material risks that have an impact on the risk profile. Thus, the ERM includes those risks with potential systemic impact as well. Therefore, the insurance sector is of the opinion that the potential benefit of adding requirements or further unnecessary specifications does not justify the additional costs this would imply. Further, it would not provide a more detailed picture of the situation on the European insurance market.	These additional requirements are possible as mentioned in ICP 16.16: "The supervisor undertakes reviews of the insurer's ERM framework, including the ORSA. Where necessary, the supervisor requires strengthening of the insurer's ERM." Revisions were made to better explain the usefulness of macroprudential analysis in guiding the expectation and assessment of the ERM, and to be less direct on potential benefits of stress testing.
254. The Geneva Association	International	The paragraph on the assessment of stresses seems out of place in the "strengthening the ERM framework" section.	Refer to resolution to comment #253
255. General Insurance Association of Japan	Japan	It is stated that supervisors may require "insurers to undertake further stress testing or scenario analysis" based on the results of macroprudential analysis. We understand that stress tests are not for the purpose of microprudence, but for the purpose of macroprudence. We propose adding this for clarification. It is also stated that "Indeed, uniform stress testing requirements may be necessary to assess the overall / aggregated impact of the insurance sector on the financial system". If the stress test described in this paragraph refers to a test for the purpose of	Refer to resolution to comment #253

		microprudence, the statement should be deleted as uniform requirements should not be imposed on stress tests insurers conduct for ERM purposes .	
XXX. American Council of Life Insurers (ACLI)	USA	This paragraph seems out of place in a section devoted to the ERM framework and we therefore believe it should be removed.	Refer to resolution to comment #253
Q194 Comment on paragraph 156			
256. Global Federation of Insurance Association	Global	Regarding macroprudential analysis, while it is stated that "Based on the risks the assessment may highlight, supervisors may require insurers to strengthen their risk appetite statement or to establish a counterparty risk appetite statement to define more stringent limits.", insurers believe that risk appetite is set according to each insurer´s preference for risk, and correlated with each insurer´s strategy. Therefore, the statement should be deleted as it is not appropriate for supervisors to be involved in such decisions. Supervisors may discuss with insurers the results of the macroprudential analysis and ways to manage identified risks.	Supervisors may require insurers to take appropriate actions such as the example used. For more information refer to ICP 10.2 and ICP 16.16.14 that further discuss actions a supervisor may require. 10.2 The supervisor requires preventive measures if the insurer seems likely to operate in a manner that is inconsistent with regulatory requirements. 16.16.14 Where an insurer's risk management and solvency assessment are not considered adequate by the supervisor, the supervisor should take appropriate measures. This could be in the form of further supervisory reporting or additional qualitative and quantitative requirements arising from the supervisor's assessment. Additional quantitative requirements should only be applied in appropriate circumstances and be subject to a transparent supervisory framework. Otherwise, if routinely applied, such measures may

			undermine a consistent application of standardised approaches to regulatory capital requirements.
257. The Geneva Association	International	Regarding macroprudential analysis, while it is stated that "Based on the risks the assessment may highlight, supervisors may require insurers to strengthen their risk appetite statement or to establish a counterparty risk appetite statement to define more stringent limits.", we believe that risk appetite is set according to each insurer´s preference for risk, and correlated with each insurer´s strategy. Therefore, we suggest changing "required" to "encourage"	Refer to resolution to comment #256
258. General Insurance Association of Japan	Japan	Regarding macroprudential analysis, while it is stated that "Based on the risks the assessment may highlight, supervisors may require insurers to strengthen their risk appetite statement or to establish a counterparty risk appetite statement to define more stringent limits.", we believe that risk appetite is set according to each insurer´s preference for risk, and correlated with each insurer´s strategy. Therefore, the statement should be deleted as it is not appropriate for supervisors to be involved in such decisions.	Refer to resolution to comment #256
Q195 Comment on section 5.2.2 Crisis management and planning			
Q196 Comment on paragraph 157			
259. The Geneva Association	International	This recommendation is inconsistent with ICP16, which suggests these plans should be considered for a broader scope of firms.	Revision made to refer to the requirements for recovery and resolution planning.
XXX. American Council of Life Insurers (ACLI)	USA	The recommendation on recovery and resolution plans for insurers that are systemically important is inconsistent with ICP 16, which suggests that supervisors consider a broader scope of firms.	Refer to resolution to comment #259
Q197 Comment on paragraph 158			
260. General Insurance	Japan	Paragraph 157 states that "It is good practice for supervisors to require the development of recovery and resolution plans at least for those insurers that it has assessed to be	This refers to the decision made by the supervisors whether a recovery or resolution

Association of Japan		systemically important". We understand that "the scope (of application of the recovery and resolution plans)" in paragraph 158 refers to insurers who are actually tasked with formulating the recovery and resolution plans, and would like to confirm that this understanding is correct. If our understanding is incorrect, we would like to ask for a detailed explanation.	plan is required “as necessary”, as per ICP 16.15 and CF12.3.a.
Q198 Comment on paragraph 159			
Q199 Comment on paragraph 160			
261. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Typo: The concepts for both recovery and resolution planning are described in ICP 12 (Exit from the Market and Resolution) and ICP 16 and further guidance is provided in the Application Paper on Recovery Planning and the draft Application Paper on Resolution Powers and Planning.	Revision made
Q200 Comment on section 5.2.3 Preventive and corrective measures			
262. Global Federation of Insurance Association	Global	When proposing the use of preventive or corrective measures, supervisors must consider the potential impact on policyholders (e.g. the potential to restrict product availability), as well as on macroprudential risk and financial stability (e.g. the impact of counterparty exposure limits on insurers' ability to provide market liquidity).	Agreed, prior to applying any measures, there is implicitly a cost/benefit analysis.
263. American Property Casualty Insurance Association (APCIA)	USA	When proposing the use of preventive or corrective measures, supervisors must consider the potential impact on policyholders (e.g., the potential to restrict product availability), as well as on macroprudential risk and financial stability (e.g., the impact of counterparty exposure limits on insurers' ability to provide market liquidity).	Refer to resolution to comment #262
Q201 Comment on paragraph 161			
264. Global Federation of	Global	In this paragraph, it is stated that "supervisors should have at their disposal a sufficiently broad set of powers" to address systemic risks. The measures described in ICP 10.2 are	Supervisory measures as described here are examples of what can be put in place if a threat

Insurance Association		also listed as specific examples. However, supervisors should not have excessive powers to deal with systemic risk incommensurate to their purposes. In addition, the legal system in each jurisdiction should be taken into consideration. GFIA proposes adding provisions which describe such points. A prerequisite to the use of any powers is that the supervisor has clearly articulated the nature and materiality of any systemic risk to the insurers and provided them with an opportunity to discuss this with the supervisor. This will ensure there is a common understanding and allow the insurer to set out a plan for how that risk can be adequately managed or mitigated. Furthermore, the measures listed include strict contents such as "Prohibiting the insurer from issuing new policies or new types of product", which are excessive compared to the situation "In the event that there are" signs "of the build-up of systemic risk". Provisions should be added to the effect that predictability and transparency are ensured in triggers and the operation of each measure so that insurers can take voluntary actions in advance.	to financial stability is posed. Revisions were made accordingly. We expect any jurisdiction that has such powers to have a clear process surrounding the application of measures.
265. The Geneva Association	International	In this paragraph, it is stated that "supervisors should have at their disposal a sufficiently broad set of powers" to address systemic risks. The measures described in ICP 10.2 are also listed as specific examples. However, supervisors should not have excessive powers to deal with systemic risk in commensurate to their purposes. The pre requisite for application of intervention powers should first be for the supervisor to be able to clearly articulate the nature of systemic risk present and its materiality to the financial system or economy as a whole. This should then be discussed with the insurer to ensure there is a common understanding and where material systemic risk is present, the insurer should be given the opportunity to develop a plan for how that risk can be effectively managed The legal system in each jurisdiction should be taken into consideration. We propose adding provisions which describe such points. Furthermore, the measures listed include strict contents such as "Prohibiting the insurer from issuing new policies or new types of product", which are excessive compared to the situation "In the event that there are" signs "of the build-up of systemic risk". Provisions	Refer to resolution to comment #264

		should be added to the effect that predictability and transparency are ensured in triggers and the operation of each measure so that insurers can take voluntary actions in advance Lastly, we suggest to change the first subbullet under the third bullet as follows : Requiring the insurer to prepare a report describing actions it intends to undertake to address or manage specific activities the supervisor has identified […]	 The language is directly from ICP 10.2.6
266. General Insurance Association of Japan	Japan	In this paragraph, it is stated that "supervisors should have at their disposal a sufficiently broad set of powers" to address systemic risks. The measures described in ICP 10.2 are also listed as specific examples. However, supervisors should not have excessive powers to deal with systemic risk in commensurate to their purposes. In addition, the legal system in each jurisdiction should be taken into consideration. We propose adding provisions which describe such points. Furthermore, the measures listed include strict contents such as "Prohibiting the insurer from issuing new policies or new types of product", which are excessive compared to the situation "In the event that there are" signs "of the build-up of systemic risk". Provisions should be added to the effect that predictability and transparency are ensured in triggers and the operation of each measure so that insurers can take voluntary actions in advance.	Refer to resolution to comment #264
Q202 Comment on paragraph 162			
267. Global Federation of Insurance Association	Global	It should be recognised that although each insurer is able to grasp the soundness of its own company (microprudence), it is not in a position to fully understand the situation of the entire sector including other insurers. Insurers believe that responses based on the soundness of the entire sector (macroprudence) are the remit of supervisors. Supervisors can understand the specific individual measures that insurers can take through existing resources such as the ORSA and recovery plans. As such, to the extent possible, supervisors should leverage ORSA and recovery plans and only then come to a conclusion as to whether a separate systemic risk report is necessary.	The concept of such a report is not new and is meant to provide the insurer with the opportunity to develop its own actions in response to a financial stability concern. As noted in guidance in ICP 10.2 (notably 10.2.3 and 10.2.4), the supervisor should explain and communicate the concerns to the insurer. It is acknowledged that the insurer itself may not have a full oversight into how its exposures or activities may pose a systemic risk.

			It is the supervisors' responsibility to assess if expected information is sufficiently developed in other documents, such as ORSA or recovery plans, and whether further analysis is necessary. In the case such a report is required, we expect guidance by the supervisor to be provided (for example, the expected format). Refer to ICP 10.2.6.
268. The Geneva Association	International	The current provision of paragraph 162 notes that in some cases, supervisors may require the development of a systemic risk report that would aim at presenting, in a coherent and summarised manner, all applicable measures that the insurer intends to undertake in order to address macroprudential concerns. In this respect, we consider that the IAIS should make it clear in its guidance that as a prerequisite for such a request the supervisor should clearly articulate and quantify the materiality of its concerns and, confidentially discuss this with the insurer to ensure there is a common understanding. Such clarification is needed to align to the guidance ICP 10.2.6 which clearly links the requirement to prepare a report to specific activities the supervisor has identified posing a threat to financial stability.	Refer to resolution to comment #267
269. General Insurance Association of Japan	Japan	While it is stated that "In some cases, supervisors may require the development of a systemic risk report that would aim at presenting, in a coherent and summarised manner, all applicable measures that the insurer intends to undertake in order to address macroprudential concerns.", considering there are no sufficient grounds for requesting insurers to develop such a report for reasons stated below, this provision should be deleted or revised to make it clear that the report will be developed by supervisors. - Although each insurer is able to grasp the soundness of its own company (microprudence), it is not in a position to understand the situation of the entire sector including other insurers. We believe that responses based on the soundness of the entire sector (macroprudence) are the remit of supervisors. - Supervisors can understand the specific individual measures that insurers can take	Refer to resolution to comment #267

		through existing resources such as the ORSA and recovery plans. Therefore, it seems unnecessary for insurers to create similar reports separately. - We also recognize that ICP/CF does not provide for the development of systemic risk reports by insurers. Regarding "all applicable measures that the insurer "intends to undertake"", even if supervisors were to develop the systemic risk reports, we consider it excessive to cover "all" measures considering the purpose of the report.	
270. The Life Insurance Association of Japan	Japan	- Paragraph 162 states the possibility of supervisors requiring insurance companies to develop a systemic risk report to address a threat to financial stability. We would like to confirm the report is not intended to require insurance companies to develop a report comparable to the Systemic Risk Management Plan (or the "SRMP"), which is a measure imposed only on the G-SIIs. - In addition, the name "systemic risk report" gives the impression of the SRMP and is not consistent with the statement in ICP 10.2.6 "requiring the insurer to prepare a report describing actions it intends to undertake to address specific activities the supervisor has identified, through macroprudential surveillance, as potentially posing a threat to financial stability". Furthermore, the content to be included in this report may overlap with the liquidity risk management plan and contingency funding plan required for insurance companies in the HF. - Moreover, the IAIS also recognizes the importance of liquidity risk of the insurance sector is lower than the banking sector as Paragraph 79 states "Liquidity risk arises as a result of imbalances between liquidity sources and needs, although not as important for insurers as it is for banks". Therefore, we are concerned the new policy measure on related matters may go beyond the scope of necessity. - Hence, we propose the name "systemic risk report" be deleted or changed to simply "report". As for how insurance companies should report to supervisors, there should be a description that allows flexible supervisory measures according to the circumstances of each jurisdiction.	Refer to resolution to comment #267. In addition, revision was made to refer to “a report”.

		- Furthermore, ICP 10.2.1 requires "well founded" reasons for supervisors to take measures from the perspective of ensuring predictability. Therefore, the report should only be required when there are "well founded" reasons to assume that there are still systemic risk concerns after insurance companies have exhausted all possible measures including the implementation of risk management measures.	
271. American Property Casualty Insurance Association (APCIA)	USA	A company should be given adequate time to take proactive steps before supervisory action is initiated, which should be reflected in the paper.	This falls in the remit that dialogue between supervisors and senior management of an insurer is implicit and should take place on an on-going basis. See also general requirements in ICP 10.
Q203 Comment on paragraph 163			
272. The Geneva Association	International	The statement in this paragraph that "It is important for supervisors to document and communicate to insurers the precise assessment of potential systemic exposures or activities that led to the requirement.' is welcome, but the documentation should include assessment of materiality and discussion with the insurer before requirements are imposed.	Refer to resolution to comment #271
Q204 Comment on paragraph 164			
Q205 Comment on section 6 Transparency			
273. Institute of International Finance	United States	We understand the need for transparency and reporting on the insurance sector, both to official sector institutions and to the general public, in order to instill and maintain confidence in the sector. However, caution should be taken to ensure that data is appropriately validated and aggregated in order to avoid harm to the market, to a company, or to a group of companies. As was agreed by the IAIS during the development of the Holistic Framework, any information that would allow an individual company or group of companies to be	Revision made that supervisors should consider the potential confidentiality and sensitivity associated with data and statistics before publishing. In addition, ICP 3 (Information Sharing and Confidentiality Requirements) is applicable.

		identified should be omitted from publication in order to avoid market harm. This is especially important in the case of publication of the results of a systemic importance assessment or of measures taken in relation to a distressed insurer. Publication of information that could result in the identification of a company or group of companies could have a dangerous destabilizing impact on the insurance market (and broader capital markets) as a result of market participants' uncertainty over the implications for their investments. It is likely that markets would overreact and adopt a worst-case scenario interpretation of the information that would aggravate, rather than address, the underlying supervisory concern. The decision-usefulness of the information intended to be published should be considered when making a determination as to whether to publish insurance data, as well as the potential burden on supervisors and insurers.	
Q206 Comment on section 6.1 Importance of transparency			
274. Global Federation of Insurance Association	Global	The paper should state explicitly that supervisors must consider the sensitivity of some insurer information (even in the aggregate) and determine the decision-usefulness and potential for misinformations to investors and other users of the information before publishing it.	Refer to resolution to comment #273
275. American Property Casualty Insurance Association (APCIA)	USA	The paper should state explicitly that supervisors must consider the sensitivity of some insurer information (even in the aggregate) and determine the decision-usefulness of that information to investors and other users of the information before publishing it.	Refer to resolution to comment #273
Q207 Comment on paragraph 165			
276. The Geneva Association	International	Paragraph 165 refers to ICP 24.5.1, citing that the publication of data "may serve as a mechanism for market discipline by facilitating comparisons between individual insurers and the sector as a whole", and emphasizes the need for public disclosure on the individual insurance companies. However, we oppose the release of information on	ICP 24.5.1 “Moreover, the publication of data may serve as a market disciplining mechanism by facilitating comparisons of an individual insurer to the sector as a whole.”

		individual insurers compared to the insurance sector as a whole, since it would not be relevant for macroprudential supervisory objectives, and release may cause unanticipated reactions from the market, which in turn may have unintended consequences on individual insurers, which may negatively affect financial stability in the insurance sector.	Refer to resolution to comment #273 for revisions made in attempt to address concerns expressed
277. Central Bank of Ireland	Ireland	We agree that external communication of key messages to firms and influencers in a systematic way is really important to set expectations of regulators. These need to be timely though as undue delay may mean that the optimum moment to land a message is missed.	Agree, under section 6.1 timely release of information is necessary to allow market participants to make informed decisions
278. The Life Insurance Association of Japan	Japan	- Paragraph 165 states the need for information disclosure for the insurance sector by referring to the statement in ICP 24.5.1. The statement states "the publication of data may serve as a market disciplining mechanism by facilitating comparisons of an individual insurer to the sector as a whole". - However, the disclosure of comparable information between individual insurers and the insurance sector as a whole may cause unanticipated reactions from the market. This may have unintended consequences for individual insurance companies and the insurance sector. Therefore, we would like to respectfully request the IAIS to carefully consider these points when applying the Application Paper.	Refer to resolution to comment #276
Q208 Comment on paragraph 166			
Q209 Comment on section 6.2 Possible macroprudential reporting			
Q210 Comment on paragraph 167			
279. Global Federation of Insurance Association	Global	GFIA agrees that transparency on macroprudential risks has an important role to play, e.g. with the regular publication of financial stability reports or risk dashboards or insurance statistics. However, the results of macroprudential sector analyses or of stress tests should not be published at individual company level as this could result in counterproductive effects (e.g. misinterpretations by market participants that lead to market distortions). It should be clarified that this is not required. The respective	Supervisors have discretion as to what they decide to publish. Reference was made to ICP 3 Information Sharing and Confidentiality Requirements

		publications by supervisors should focus on aggregated data and more general aspects regarding market developments and the stability situation.	
280. General Insurance Association of Japan	Japan	We have no objection to "Transparency may be achieved by publishing relevant insurance data by supervisors". Although it is stated that published data allows "each user of the information to perform comparative analysis of individual insurers as well as aggregated indicators of the insurance market.", individual insurers should not be identified when data is published for macroprudential purposes. We propose adding provisions to this effect within the AP.	Refer to resolution to comment #279
Q211 Comment on paragraph 168			
281. The Geneva Association	International	As the systemic importance cannot be precisely measured, the release of such results could suggest that such figures have a greater meaning than they actually have. We suggest deleting the fourth bullet point "results of the systemic importance assessment"	ICP 24 requires an systemic importance assessment (Section 4)
XXX. American Council of Life Insurers (ACLI)	USA	The reference "results of the systemic importance assessment" suggests the return to individual firm designations, which is still being reviewed by the IAIS. This should be removed.	Refer to resolution to comment #281
Q212 Comment on paragraph 169			
XXX. American Council of Life Insurers (ACLI)	USA	The reference to supervisory measures taken in relation to failed insurers is out of place. Firstly, this is likely a microprudential concern; secondly, it implies (incorrectly) that there are multiple problems/failures.	The bullet was deleted. Agreed that this is more of a microprudential concern, and that it may imply that there are multiple problems/failures.
Q213 Comment on paragraph 170			
Q214 Comment on section 6.2.1 Financial stability report (FSR)			
Q215 Comment on paragraph 171			
Q216 Comment on paragraph 172			

Q217 Comment on paragraph 173			
Q218 Comment on section 6.2.2 Other forms of macroprudential reporting			
Q219 Comment on paragraph 174			
Q220 Comment on paragraph 175			
282. General Insurance Association of Japan	Japan	It is stated that "For example, supervisors could issue or update recommendations on dividend distribution and remuneration policies, advising that supervisors themselves will closely monitor compliance with these recommendations". However, supervisors should avoid excessive intervention in the business operations of insurers. Moreover, recommendations other than dividend distribution and remuneration policies aimed at mitigating the accumulation of systemic risk are also possible. Therefore, these provisions should be deleted.	The example is based on a statement issued by EIOPA.
283. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Footnote 37 - editorial: An example is the statement on dividends distribution and variable remuneration policies in the context of Covid-19 issued by EIOPA in 2020: (https://www.eiopa.europa.eu/sites/default/files/publications/statement-on-dividend-distribution-april2020.pdf)	Revision made
Q221 Comment on paragraph 176			
284. Central Bank of Ireland	Ireland	We are not sure how this differs from the second bullet in para. 168.	Agreed, paragraph was deleted
285. General Insurance Association of Japan	Japan	While it is stated that "Supervisors may publish data collected on the insurance sector for macroprudential purposes.", sufficient care should be taken not to identify individual insurers when data is published. We propose adding provisions to this effect.	Paragraph was deleted

286. National Association of Insurance Commissioners (NAIC)	USA, NAIC	Footnote 38 - editorial: An example is the Macroprudential database. Statistical data warehouse of the European Central bank. https://sdw.ecb.europa.eu/browse.do?node=9689335	Revision made (footnote moved)
Q222 Comment on section Annex 1: Example indicators and data elements			
287. International Actuarial Association	International	This Annex would be more useful if there was some commentary on when and why particular indicators are typically used. Some additional indicators could be considered, e.g.: 1.Macro a. Solvency i. Changes in volatility indices ii. Changes in local regulation (taxes, dividends, profit sharing,…) but also in the global prudential framework b. Profitability i. Change in reinvestment rates versus guaranteed rates ii. ROE 2. Micro a. General data i. Changes in underwriting clauses ii. Changes in legal coverages b. Data related to specific events i. Changes in asset allocation ii. Switch to marked-to-model valuations following illiquid markets iii. Changes in operations and business continuity 3. Liquidity a. Liability: litigation and reputational risk	For the purposes of this Paper, the decision was to align Annex 1 with assessments as indicated in ICP 24.1 Suggestions for indicators were included that were data related.
288. The Geneva Association	International	Annex 1 provides a list of "relevant indicators and data elements that could be collected." Some of the elements, however, are outside the realm of insurance supervision (e.g.,	Annex 1 is not being prescriptive; it is providing a list of relevant indicators and data elements

		changes in household debt ratio). It is not necessarily under the purview of insurance supervisors to collect such data.	that could be collected for macroprudential purposes. When household debt reaches excessive levels, it could be a risk to insurers. For example, households could look to cancelling short-term insurance, as was seen in some jurisdictions during the Covid-19 crisis.
XXX. American Council of Life Insurers (ACLI)	USA	Annex 1 provides a list of “relevant indicators and data elements that could be collected.” Some of the elements, however, are outside the realm of insurance supervision (e.g., changes in household debt ratio). It is not necessarily under the purview of insurance supervisors to collect such data.	Refer to resolution to comment #288
Q223 Comment on section Annex 2: Example risk dashboards			
Q224 Comment on section Annex 3: Example topics for analysis			
289. International Actuarial Association	International	In the box "Examples that may be identified for liquidity monitoring", it might be useful to add, for the most significant exposures, cashflow projections (and their source: insurance and investment with and without investment in line with Strategic Asset Allocation). This could be performed at regular intervals over the business plan horizon and at yearly level afterwards. With regards to. reinsurance analysis, it might be useful to collect additional data for leading insurance companies on their reinsurance program (e.g., top 5 reinsurers, their ratings, the reinsurance coverage (type of transferred risk, reinsurance structure and location, related capital charge reduction)	The Paper includes a non-exhaustive list of topics for which supervisors can perform in-depth analysis in which liquidity monitoring is included. This analysis could be based on a set of indicators that supervisors track and are representative of liquidity conditions, such as significant exposures, cash flow projections or other significant indicators that supervisors could monitor taking into account the availability of data (for example, which can be obtained from templates included in supervisory reporting or from specific ad hoc analyses set by the supervisor) and different availability sources.

290. Central Bank of Ireland	Ireland	We would suggest including more on this, in line with the other three topics Some examples of what is meant by "availability of data" and "proportionality" would be helpful here. For instance, I would have thought that liquidity data is always available, but presumably the reference is to the onerousness of turning that data into liquidity indicators. Need to be aware that exposure to reinsurance becomes much larger after an insured event - which is also when a reinsurer is most likely to fail. Supervisors could usefully look at the "cost of recapture" as an indicator, which would include any impacts on capital - and also make sure that the change in exposure to reinsurers is an element of any stress testing. Recovery / Resolution plans in the event of a major reinsurance counterparty failure are useful to examine - as they might indicate a systemic reliance on "fall-back" reinsurers, if the recovery plan is to replace any reinsurance that is recaptured.	Refer to resolution to comment #289
Q225 Comment on section Annex 4: Example of ORSA analysis			
291. The Geneva Association	International	Annex 4 includes an example of an ORSA analysis. As a microprudential instrument, we feel this is misplaced in an Application Paper on Macroprudential Supervision and would fit much better into an Application Paper on ICP 16 (Enterprise Risk Management for Solvency Purposes).	Refer to resolution to comment #95
XXX. American Council of Life Insurers (ACLI)	USA	Similar to the comments for Paragraph 51, the purpose of the ORSA is supposed to represent the insurers “own” views. Further it is fully accepted that each ORSA Summary Report will be unique, reflecting the insurer’s business, strategic planning and approach to ERM. Leveraging data in the ORSA may be fine while maintaining the appropriate level of confidentiality and recognizing that the content may differ from insurer to insurer; reducing the effectiveness of ‘horizontal examination.’ However, the content in this section, including the proposed scheme, is prescriptive in nature and is in direct conflict with “own” nature of the ORSA. Because of this conflict, ACLI believes the content in this section should be removed from the Application Paper.	Refer to resolution to comment #95