Resolution of comments

Public Consultation on the review of the Individual Insurer Monitoring (IIM) Assessment Methodology

06-Dec-22 to 06-Feb-23

Highlights

- This document includes all non-confidential comments received in the public consultation on the review of the Individual Insurer Monitoring (IIM) Assessment Methodology which was conducted between 6 December 2022 and 6 February 2023.
- The IIM assessment methodology calculates a total score for each of the IIM participating insurers. This score provides an indication of the extent of the possible build-up of systemic risk in the individual insurer.
- Overall, the 2019 IIM assessment methodology has been found to deliver robust results over the 2019-2022 period, hence no substantial changes will be made as part of the IIM assessment methodology review. However, the granularity and consistency of reporting of certain indictors will be refined further. In addition, further additional ancillary will be developed, in order to further improve the monitoring. The resolution of comments reflects not only the received comments, but also the further data validation and analysis outcomes from the IIM 2020-2022.
- Overall, the consultation comments generally supported the limited proposed changes. The following changes to the IIM 2023-2025 assessment methodology will apply for the IIM 2023-2025:Updating the Insurer Pool selection criteria
    - Enhancing the monitoring of level 3 assets indicator
    - Enhancing the monitoring of (cross-border) reinsurance
    - Refining the derivatives indicator
    - Refining the short-term funding indicator
    - Removal of the financial guarantees indicator combined with indicator reweighting
    - Refinements of currency exchange rates
- More details on each of these changes can be found in the updated Global Monitoring Exercise (GME) document here

Organisation	Jurisdiction	Confidential	Answer	Answer Comments	Resolution of comments
Q1 Which (underlying) data rows would be necessary to monitor the different types of level 3 assets?					
CBIRC	China	No	At present, the insurance group does not publicly release the level 3 asset, and the classification of level 3 asset and the corresponding asset proportion, rating and risk situation are only mastered by the company. Therefore, it is suggested to take the opinions of the regulatory authorities as based on the data of the insurance institutions.		Noted.
General Insurance Association of Japan	Japan	No	We believe that the current specification is appropriate for the data rows referenced in the monitoring of Level 3 assets. We understand the need for greater granularity in monitoring, as the overall trend in the insurance sector is toward higher scores for Level 3 assets. However, group-based data collection with detailed classifications would be heavily loaded with aggregation and could lead to further increased burden on insurers. In addition, from a feasibility perspective, we believe that not all insurers would be able to provide detailed data. On the other hand, we support maintaining specifications consistent with the existing guidance in IFRS 13, in terms of clarifying the definition in the calculation of each data item, ensuring comparability, and minimizing the decision-making factors to be performed by each insurance group and the additional burden of data reporting.		The IAIS has noted the concerns with regards to the data burden and that the provision of data would be facilitated by adherence to the accounting standards used to prepare the annual accounts. However, the indicator currently only provides a limited insight into the composition of level 3 assets and initial analysis indicates that the measure is not fully comparable across jurisdictions due to differences in accounting. Given the importance of the indicator and the recent increase in level 3 assets as measured by the indicator, the IAIS will gather some further data points to investigate whether the level 3 assets indicator could be adjusted to better reflect insurers' (il)liquidity risk in a more comparable way across jurisdictions.
National Association of Insurance	USA, NAIC	No	Refinement of Level 3 assets does not seem necessary because Level 3 assets have been readily publicly available		The IAIS has noted that Level 3 assets are publicly available under many accounting standards. However, the

Commissioners (NAIC)			(other otherwise has proxies). The NAIC suggests more time needs to be spent on data validation, rather than collecting more data, to be more efficient at analyzing firm and jurisdictional differences of Level 3 assets.		indicator currently only provides a limited insight into the composition of level 3 assets and initial analysis indicates that the measure is not comparable across jurisdictions due to differences in accounting. Given the importance of the indicator and the recent increase in level 3 assets as measured by the indicator, the IAIS will gather some further data points to investigate whether the level 3 assets indicator could be adjusted to better reflect insurers' liquidity risk in a more comparable way across jurisdictions. Moreover, some data on level 3 assets are available in certain countries/ regions. However, the publicly available data does not capture all Insurer Pool participating insurers.
Q2 If possible, also provide the technical specifications for these rows (referred to in Q1)					
No comments were provided.					
Q3 Which (underlying) data rows would be necessary to monitor illiquid/difficult to value assets held at historical cost or valued using other non-fair value methods?					
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Please refer to Q1 answer		Noted.
Q4 If possible, also provide the technical specifications for these rows (referred to in Q3)					
No comments were provided.					
Q5 Which other refinements could be made to the level 3 assets indicator?					

Insurance Europe	European Union	No	Collecting more granular data on Level 3 assets will not address the shortcomings of the current Level 3 asset indicator for the purpose of assessing asset liquidation risk under the IIM methodology. Level 3 assets need to be considered in the context of insurers asset/liability management (ALM), specifically the duration of the liabilities that the Level 3 assets are held to match.		In addition to more granular data on Level 3 assets, the IAIS also will gather some further data points on illiquid assets (not captured by the Level 3 asset accounting definition) to investigate whether the level 3 assets indicator could be adjusted to better reflect insurers' liquidity risk in a more comparable way across jurisdictions. Noted.
American Council of Life Insurers	United States of America	No	Avoid duplicative data collection. We appreciate the IAIS' renewed focus on liquidity risks in the insurance sector, including moving forward with the Company Projection Approach (CPA) approach to liquidity stress testing, which provides comprehensive yet detailed information on liquidity risks under stress. At the same time, we note that several of the IIM enhancements noted in the Consultation appear to be linked directly with the IAIS focus on enhanced liquidity disclosures, specifically: - Section 2.1.2 Enhanced monitoring of level 3 assets - Section 2.1.4 Refining the derivatives indicator - Section 2.1.5 Refining the short-term funding indicator Once regulators have access to results of the new liquidity metrics, collecting partial detail of liquidity risk in the IIM may no longer be necessary. We therefore request that IAIS reconsider expanding data collection for 2.1.2, 2.1.4 and 2.1.5 and instead focus on		Noted. The liquidity metrics were approved as an ancillary indicator for 2023-2025. However, the metrics still require more monitoring and increase in data coverage (related especially to the CPA). On the other hand, the level 3 asset indicator is a component of the IIM assessment methodology (under asset liquidation GME category) and we saw a significant increase of this indicator scores in previous years. The indicator is also used in the cross-sectoral analysis which combined insurance and banking data. The IAIS therefore will gather some further data points to investigate whether the level 3 assets indicator could be adjusted to better reflect insurers' (il)liquidity risk (as measured by the indicator) in a more comparable way across jurisdictions.

			generating robust results for the liquidity metrics.		
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Please refer to Q1 answer		Noted.
Q6 Which (underlying) data rows would be necessary to better capture (1) cross-border reinsurance exposures (ceded and assumed) and (2) the concentration risk of cross-border reinsurance in certain insurers or jurisdictions?					
CBIRC	China	No	Add "domestic business" and "overseas business" sub-indicators under data rows 27, 27.1.A, 27.1.B, 27.1.C to capture and monitor cross-border reinsurance exposures.		In order to gather information on reinsurance, a combination of approaches will be developed and tested in 2023-2025 and consultation input will be taken into account in deciding on these approaches.
Insurance Europe	European Union	No	The use of reinsurance is an effective risk mitigation technique and therefore primary insurers should not be disincentivised from purchasing reinsurance for fear of increasing their score in the interconnectedness indicator. Reinsurance enables insurers to strengthen their own solvency and expand their capacity to absorb different types of business and customer risk, both catastrophic and non-catastrophic. In addition, reinsurance helps insurers reduce the volatility of their earnings, accompanied by positive effects on capital costs, which insurers can pass on to policyholders, for example in the form of lower prices. Reinsurance has also driven the advances in catastrophe risk modelling capabilities, which are now so critical to adapting to climate-related physical risk. Reinsurance is fundamentally a cross-border business, and this feature is a specific characteristic of the reinsurance		The IAIS is aware of the benefits of reinsurance in general. Because reinsurance is fundamentally a cross-border business, it is not easy to identify any potentially undue concentration risk emanating from this business. In order to gather information on reinsurance, a combination of approaches is followed and your input has been taken into account in deciding on these approaches. The IAIS decided to develop a new ancillary indicator on reinsurance. This new reinsurance ancillary indicator may (dependent on the monitoring results in 2023-2025) include following subindicators: • Option 1: Reliance on external reinsurance - exogenous risk coming from a dependency on the external reinsurers;

			business model, not a risk per se. Professionally managed and well-capitalised reinsurance companies that are subject to solvency requirements should be able to operate in open markets worldwide to allow for an effective diversification of risks. Global reinsurers' business models are based on the widest possible distribution of risks (economies of scale) and the utilisation of diversification effects (economies of scope). They benefit from these economies by writing a large number of diversified risks in as many markets as possible. In contrast, any penalisation in the treatment of cross-border reinsurance compared to domestic reinsurance would run counter to the principle of diversification of risks and could lead to a concentration of risk in the domestic market. It is therefore crucial for firms with adequate expertise, appropriate risk-management tools and capital commensurate with the risks they assume to enjoy unrestricted worldwide access to markets, freedom of contract and complete fungibility of capital. Insurance Europe does not see any additional benefit in collecting more granular data and would advise against introducing further requirements, however should the IAIS nevertheless be determined to increase the granularity of data this could be achieved as follows: including in the IIM template after row 27.1.C: Question 3 of the Qualitative Component (with an additional column for ceded premiums) or rows R17 to R20.1 of the reinsurance component of the SWM data collection (adjusted to		• Option 2: Reinsurance activities - endogenous risk of reinsurers to the general insurance sector with focus on concentration of the reinsurance global market; • Option 3: Cross-border reinsurance with focus on cross-border reinsurance transactions including transaction between affiliate entities. Similarly to the liquidity metrics ancillary indicator, the new reinsurance ancillary indicator may be a combination of various approaches and options

			also work for direct insurers' ceded premiums); and, including in the IIM template after row 27.1.C: Question 13 of the Qualitative Component. Those new rows would make it possible to monitor the flows of ceded premiums (ie, "premium origin" and "premium destination") as well as the distribution of reinsurers assuming those flows in a proportionate manner.		
Global Federation of Insurance Associations (GFIA)	Global	No	Reinsurance is a cross-border business at its core, and this feature is a specific characteristic of the reinsurance business model, not a risk per se. Professionally managed and well-capitalised reinsurance companies that are subject to solvency requirements should be able to operate in open markets worldwide to allow for an effective diversification of risks. Global reinsurers' business models are based on the widest possible distribution of risks (economies of scale) and the utilisation of diversification effects (economies of scope). They benefit from these economies by writing a large number of diversified risks in as many markets as possible. It is, therefore, crucial for firms with adequate expertise, appropriate risk-management tools and capital commensurate with the risks they assume to enjoy unrestricted worldwide access to markets, freedom of contract and complete fungibility of capital, whether they operate outside their home country via branches or through subsidiaries.		The IAIS is aware of the benefits of reinsurance in general. Because reinsurance is fundamentally a cross-border business, it is not easy to identify any potentially undue concentration risk emanating from this business. In order to gather information on reinsurance, a combination of approaches is followed and your input has been taken into account in deciding on these approaches as described above.

			In light of this, GFIA understands the need to refine the existing indicator to better capture cross-border reinsurance exposures (ceded and assumed) and to better understand the potential concentration risk of cross-border reinsurance in certain insurers or jurisdictions. To this end, one potentially pragmatic approach to enhance the data collection exercise in these areas could include the inclusion of the following underlying data rows to rows 27 and 27.1.B of the Data Template: Domestic Gross Technical Provisions (retro)ceded / assumed as reinsurance business - includes all technical provisions ceded / assumed where the counterparty reinsurance entity is domiciled in the jurisdiction of the reporting entity. Non-domestic Gross Technical Provisions (retro)ceded / assumed as reinsurance business - includes all technical provisions ceded / assumed where the counterparty reinsurance entity is domiciled in a different jurisdiction from that of the reporting entity. As the IAIS may wish to understand the top jurisdictions to which reinsurance business is ceded, as well as the nature of such arrangements – ie whether it's affiliated or third-party reinsurance – a "drop-down" window could be provided within the Data Template against each of the underlying data rows above to: 1) select the domicile jurisdiction of the counterparty with the highest volume of reinsurance (retro)ceded to / assumed from and 2) report on the proportion of		

			gross technical provisions which shall be characterised as "Affiliated". An alternative approach could be: Include in the IIM template after row 27.1.C: Question 3 of the Qualitative Component (with an additional column for ceded premiums) or, alternatively rows R17 to R20.1 of the reinsurance component of the SWM collect (adjusted to also work for direct insurers' ceded premiums); and Include in the IIM template after row 27.1.C: the Question 13 of the Qualitative Component into the IIM template after row 27.1.C. Those new rows would allow to monitor the flows of ceded premiums (i.e. "premium origin" and "premium destination") as well as the dispersion of reinsurers assuming those flows.		
International Actuarial Association	International	No	Although the AA is unclear as to why there is a particular concern with cross-border reinsurance, there appears to be no definition of cross-border reinsurance provided. To illustrate the need for a definition, it may be worth considering two situations: - A group with the group-wide supervisor in the U.S. and an insurance entity in Canada has the Canadian entity reinsurer with a Canadian reinsurer. - The same group has the Canadian entity reinsurer with a U.S. reinsurer. Both or neither of the above situations could be labeled cross-border, depending on the definition, but it is unclear why either would be a concern		The IAIS is aware of the benefits of reinsurance in general. Because reinsurance is fundamentally a cross-border business, it is not easy to identify any potentially undue concentration risk emanating from this business. In order to gather information on reinsurance, a combination of approaches is followed and your input has been taken into account in deciding on these approaches as described above.

			for the stability of financial markets. Even if the reinsurance were placed with an entity outside the normal jurisdictions of the group, it is unclear why that alone would be of concern for the GME. If the concern is the concentration of reinsurance with certain entities, then a better approach may be to request a breakout of the reinsurance recoverable/receivable balances for the group's top five or so major counterparties. That should be sufficient for an analysis of material concentrations. With regard to monitoring concentration of reinsurance across the industry, any such activity requires understanding of various nuances. For example, a group may reinsurer with entity A domiciled in country X, owned by group B in country Y, which retrocedes to group C in country Z. For any given mechanical approach, the affected groups can create new entities and retrocession agreements so as to make the mechanical approach less effective. In addition, the creation of high quality data for the reporting may require a high level of sophistication from those completing the template. This makes it imperative that there are clear and comprehensive technical specifications for the completion of such a template. This concern with the nuances of various line items applies to many other items in the GME. For		

			example, in the liquidity monitoring exercise whereby it asks for non-life unearned premium that would have to be returned upon request, those amounts should reflect any offsets (such as premiums receivable on those balances and potential clawbacks of commissions and premium taxes). A less sophisticated party completing the template may not be aware of such offsets. The net result may be inconsistent reporting across filers, and for a given filer across years.		
General Insurance Association of Japan	Japan	No	From the perspective of understanding systemic risk, it would be useful to understand whether they are concentrated with a particular insurer or in a particular jurisdiction, as in (2) the concentration risk of cross-border reinsurance in certain insurers or jurisdictions, rather than collect data on the basis of whether reinsurance transactions are cross-border or not, as in "(1) cross-border reinsurance exposures (ceded and assumed)".		Same response as above.
Swiss Re	Switzerland	No	General comments: Swiss Re welcomes and appreciates the opportunity to respond to the IAIS' public consultation on the review of the IIM assessment methodology for the next three-year cycle. We remain supportive of the IAIS' efforts to assess and mitigate systemic risk in the insurance sector through the 'Holistic Framework'. As such, Swiss Re welcomes the December 2022 FSB decision to discontinue the annual G-SII identification, too. In the context of this consultation, Swiss		The IAIS is aware of the benefits of reinsurance in general. Because reinsurance is fundamentally a cross-border business, it is not easy to identify any potentially undue concentration risk emanating from this business. In order to gather information on reinsurance, a combination of approaches is followed and your input has been taken into account in deciding on these approaches as described above.

			Re would like to provide 1) feedback on the specific questions posed in the official consultation document, and 2) add a couple of key overarching comments. The Global Monitoring Exercise (GME) as a central element of the 'Holistic Framework' consists of two separate annual data call pieces; on the one hand the Sector-Wide Monitoring (SWM) and on the other the Individual Insurer Monitoring (IIM). Both of these data collection exercises are necessarily intertwined, complementing an 'overall' view with a 'company' level view. The experience of having to provide input to both data calls separately during roughly the same or overlapping time windows leads Swiss Re to believe that there is improvement potential. Scope of data requested: Swiss Re has noticed that the scope of data requested, especially for the IIM data call, has continuously been expanded, year after year. This trend holds true despite assurances by the IAIS that it would either keep the scope stable or would even reduce/eliminate some of the line items requested. For both the SWM and the IIM the purpose of collecting certain data items remains unclear. The ever-increasing scope puts undue burden on the very functions an insurer relies on to produce business relevant information (usually during exactly the same timeframes). The data requested as part of both SWM, and IIM should be kept to the minimum scope needed to fulfil the relevant mandate. Swiss Re would be pleased to meet with the IAIS to talk		

			about any of our recommendations in detail. Coordination: Under the header of coordination, Swiss Re understands two elements, a timeline aspect and a content one. Relating to the timeline, we would like to point out that any information relevant for the data calls should be shared well in advance (e.g., templates, technical specifications, timelines envisaged). In addition, the time windows to complete the questionnaires should be aligned and extended (to avoid putting undue pressure on key functions at firms). On the content side as well, SWM and IIM data calls should be closely coordinated, in particular if elements are to be moved over from the SWM to the IIM. Swiss Re would appreciate if the IAIS could ensure that there are no duplications between SWM and IIM. It is our opinion that the IAIS' monitoring via SWM and IIM should serve as a 'radar' and not as an additional source of uncertainty for affected companies. Comments on cross-border reinsurance: Based on the IAIS GIMAR 2022 and the statements relating to structural shifts in the Life insurance sector, including the involvement of private equity, for Swiss Re, it is not clear what the IAIS aims to capture under the header of 'cross-border reinsurance'. By its very nature, reinsurance is a cross-border, or international, business (and has been for centuries). Driven by the fundamental need to achieve sufficient diversification for risks such as Natural Catastrophes,		

			Pandemic, and others, pooling of such risks in just one jurisdiction would not work due to lack of diversification. Swiss Re acknowledges the IAIS' concerns relating to large, cross-border reinsurance transactions in the context of private equity involvement in the Life space (as described in the GIMAR 2022). While we do understand the concerns, Swiss Re is of the opinion that for addressing concerns related to individual transactions there are existing and sufficiently sophisticated 'microprudential' tools for supervisors. Another option would be jurisdictional questionnaires/surveys issued by the supervisors affected. The IIM data call's focus and mandate is clearly delineated and limited to questions/analyses of global nature and concerned with systemic risk. If any data was to be sourced/collected at this global level, appropriate precautions should be taken to maintain proportionality and usefulness of the data. For example, materiality thresholds should/could be set sufficiently high (e.g., assets/liabilities transferred exceed USD X billion), to make sure only the relevant players are going to be subject to this additional effort. Furthermore, as also evident from the relevant GIMAR 2022 section, the IAIS' concerns lie primarily with the Life sector. Hence, if such data was to be collected at a global/IIM level, it should be limited to the Life business. P&C should be explicitly excluded, as there is no indication whatsoever that the same		

			concerns extend to this type of business. Finally, Swiss Re would like to add a note on the notion of interconnectedness. Although there is of course *VERTICAL* interconnectedness between insurers and reinsurers, any potential impact of a failure of a large reinsurer such as, for example, Swiss Re, on the global financial markets, on global insurance markets and on local insurance markets is marginal. Even to individual insurers, the potential impact of such a failure would not even come close to putting primary insurer policyholders at risk. Swiss Re would be pleased to meet with the IAIS to explain our response in detail.		
American Property Casualty Insurance Association	USA	No	Section 2.1.3 includes several questions regarding how cross-border reinsurance should be monitored. However, we note that "cross-border" is not defined, and it is not clear why the IIM should focus on cross-border reinsurance. There are many different situations in which it may be difficult to determine what is truly cross-border reinsurance. For example, for a multinational group domiciled in country A but with a subsidiary in country B, if the subsidiary in country B reinsures with companies in country B, is this cross-border (I.e., group domiciled in A reinsuring with insurers in country B)? If instead the subsidiary in country B cedes business to companies in country A, is that cross-border? It seems to us that the real macroprudential concern here is the concentration of counterparty risk, and the focus on cross-border reinsurance may miss the point. The concentration issue could be better addressed, for		Same response as above.

			example, by asking companies to identify their 4-5 largest counterparties. We caution, however, that a focus on the jurisdiction of the counterparty is not an easy topic. Many reinsurers are multi-national, so business ceded to a counterparty in one country may be retroceded to another affiliate in another country. Possibly the focus should be on the group that the counterparty is in, with the understanding that there may be retrocessions from that counterparty to others.		
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The NAIC agrees with the proposed enhancements -- asking jurisdictions where premiums and risk is ceded could assist in better capturing concentration of exposures.		Noted.
Q7 If possible, also provide the technical specifications for these rows (referred to in Q6)					
CBIRC	China	No	The technical specifications for data rows 27, 27.1.A, 27.1.B, 27.1.C still refer to the original methodology and under each indicator, domestic business+ overseas business = total amount, e.g. 27.a + 27.b = 27.		Same response as above.
Q8 Which potential reinsurance ancillary indicator could be developed?					
Insurance Europe	European Union	No	Insurance Europe does not consider it necessary or proportionate to invest more time and resources in defining another ancillary indicator and would strongly argue against developing a new ancillary indicator on reinsurance for the reasons already stated above.		In 2019, the IAIS planned to consider monitoring the development of reinsurance technical provisions (ceded and assumed) as an ancillary indicator (paragraph 59 of the GME document). However, in 2023, the IAIS decided to not include an ancillary indicator for reinsurance in the IIM methodology 2023-2025 due to limited available data. Furthermore, the IAIS decided to develop a new ancillary indicator on reinsurance in

					2023-2025. Three options will be tested and considered in the design of the newly developed ancillary indicator.
Global Federation of Insurance Associations (GFIA)	Global	No	GFIA does not see it as proportionate to invest yet more time and resources in defining further ancillary indicators. Reinsurance enables insurers to strengthen their own solvency and expand their capacity to absorb different types of business and customer risk, both catastrophic and non-catastrophic. In addition, reinsurance helps insurers to reduce the volatility of their earnings, accompanied by the positive effects on capital costs, which insurers can pass on to policyholders: for example, in the form of lower prices. Reinsurance has also driven the advances in catastrophe risk modelling capabilities, which are now so critical to adapting to climate-related physical risk.		Same response as above.
American Property Casualty Insurance Association	USA	No	See our answer to Q. 6.		Noted.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Please refer to Q6 answer		Noted.
Q9 If possible, also provide the data rows and technical specifications (for the potential reinsurance ancillary indicator referred to in Q8)					
No comments were provided.					
Q10 Which other refinements could be made to better capture reinsurance exposures under the intra-financial assets and liabilities indicators?					

Global Federation of Insurance Associations (GFIA)	Global	No	None, as per GFIA's general comments below, stability of the data field is paramount and should be the foremost priority of the IAIS whenever possible.		Noted.
American Property Casualty Insurance Association	USA	No	See our answer to Q. 6.		Noted.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Please refer to Q6 answer		Noted.
Q11 If possible, also provide the technical specifications for these rows (referred to in Q10)					
The Life Insurance Association of Japan	Japan	No	About Liability Liquidity - The LIAJ has made comments in the past regarding the liquidity assessment of insurance liabilities based on economic penalty and time restraint metrics for relevant consultations including those on the implementation of liquidity metrics as an ancillary indicator, starting from the development of the G-SII assessment methodology to the adoption of the current Holistic Framework. While these comments have been taken into consideration by the IAIS to some extent, the current IIM assessment methodology related to the liquidity assessment still remains an issue for the life insurance industry in Japan. As such, we would like to make the following comments, including issues we have also raised in previous public consultations. - The liquidity assessment of insurance liabilities is based on economic penalty		No major change to the Liability Liquidity indicator was agreed in the review of the Individual Insurer Monitoring assessment methodology. So the indicator formula is kept unchanged for 2023-2025. Moreover, it is agreed to fix the rescaling factor between the short-term funding and liability liquidity indicators for year 2023-2025 at a value 0.386 (which is an average of rescaling factors from IIM 2020, IIM 2021 and IIM 2022), while continuing its annual monitoring. In addition, the new ancillary indicator liquidity metrics captures concerns raised the Japanese industry in previous years, to consider simultaneously liquidity of both assets and liabilities. The new ancillary indicator is planned to be monitored and further fine-tuned by 2025. In 2025, the IAIS may again reconsider usage of the liability liquidity, level 3 assets and liquidity metrics indicators as part of the IIM absolute assessment methodology.

			and time restraint metrics. However, we believe this is rather over-simplified. It should be comprehensively assessed based on a wide range of perspectives such as the purpose of the insurance policy, the existence of actual economic penalty for policies with high assumed interest rates, the characteristics of insurance types and the existence of insurance policyholder protection schemes. In particular, we propose the following three perspectives from i to iii. - Also, in the "Level 2 Document - Liquidity Metrics as an Ancillary Indicator" published by the IAIS in November 2022, the metrics for assessing liquidity of insurance liabilities for retail policyholders were separated from that of institutional policyholders (Table 4 - ILR factors - Liability liquidity: Retail and Institutional) and the factors applied to retail were reduced to half of those applied to institutional. However, given the reason mentioned below in item i, we believe further reduction in the retail factors should be considered. i. Regarding the factor level, it should be considered that our actual surrender rate is much lower than 100% (for retail). - In Japan, the highest mass surrender rate experienced is 25% (rate of decrease in individual insurance and annuity for Toho Mutual Life Insurance Company's case in 1997), which is far below 100%. - As demonstrated in the IAIS' ICS data collection, Japanese life insurance sector's surrender rate is stable and the		

			100% level is very atypical from reality. ii. Insurers run their business based on the characteristic of their domestic market so the metrics should also take into consideration of this reality. Specifically, we would like to propose that there should be a difference in factors between protection-based products and savings-based products, as well as setting the surrender penalty as market value based. Protection-based products are less likely to be surrendered not only because the protection will be lost at time of cancelation, but also because it would be difficult for the policy holder to re-purchase a policy after the cancelation. iii. Regarding time restraints on surrender of Japanese insurance policies, we would like the IAIS to allow to categorize it for three months or more upon an event of crisis. For the IAIS liquidity metrics of insurance liabilities, only surrender results during normal times were considered. However, we understand that liquidity metrics consider insurers' situation during a crisis; therefore, time restraints for surrenders should also consider situations during a crisis. - As for Japanese surrender results, time restraints are considered low (less than a week). But this is due to the quick payment done during normal times which is promoted by the fact that if the payment of cash surrender value is not made by a certain time, the insurance company is required to pay overdue interest. However, since this payment		

			period is not guaranteed to the customer, and if a lack of capital occurs, it is possible for the insurance company to decide to extend the payment period and rather pay the overdue interest based on the policy's terms and conditions. Therefore, we propose the cash surrender value and overdue interest be considered as liquidity needs in terms of liquidity risk management, and the time restraints during an event of crisis to be able to be categorized as three months or more. - As stated above, we would like to continue our discussion on factors regarding the liquidity assessment of insurance liabilities. Having said that with regards to the scoring indicators mentioned in 13. Liability liquidity formulas in the IIM Assessment Methodology, revising the institutional and retail factors should be considered to align with "Level 2 Document - Liquidity Metrics as an Ancillary Indicator". In case IAIS believes this revision is unnecessary, it would be truly appreciated if you could explain us about your rationale.		
Q12 Which (underlying) data rows would be necessary to monitor the different types of derivatives?					
Global Federation of Insurance Associations (GFIA)	Global	No	Potentially, a split into centrally cleared derivatives and not centrally cleared derivatives could be made at gross notional amount level, although it should be noted that not all derivatives can be centrally cleared. GFIA understands that different types of derivatives present different types of risks and it is, therefore, important to		The difference in risk in OTC derivatives that are centrally cleared and not centrally cleared appears to be recognised by the industry. As such, OTC derivatives will be broken down into two categories for monitoring purposes; centrally cleared and not centrally cleared. This split is now included into the 2023 data template.

			understand these differences in order to assess the potential "outward" risk (ie the risk derivatives holdings of insurers pose to the broader financial system and real economy). Focusing on counterparty risk and liquidity risk in particular, it is important to understand that these may materialise differently across centrally cleared and privately settled derivatives, with pros and cons to both. To this end, a pragmatic way to differentiate between different types of derivatives within the Data Template could be to split the gross notional amount of over the counter (OTC) derivative contracts reported within the template into two underlying data rows to show: Gross notional amount of OTC derivative contracts centrally cleared; and Gross notional amount of OTC derivative contracts privately settled.		However, no change will be made relating to the current derivatives indicator as part of the methodology review 2023.
General Insurance Association of Japan	Japan	No	We do not believe that additional data is necessary.		Noted.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The existing derivatives data seems adequate. With respect to other variables and hedging leverage, the impact of margin calls may be a useful additional indicator of risk. Centrally cleared derivatives are typically considered less risky than bilaterally settled.		Noted. The IAIS will break down OTC derivatives into two categories for monitoring purposes; centrally cleared and not centrally cleared. However, no change will be made to the current derivatives indicator for IIM 2023-2025. The IAIS recognises the risk of margin and collateral calls, which is now

					monitored in the context of the GME liquidity monitoring (eg focus on average and stressed margin calls) including margin calls monitored through the Liquidity Stress Test 2023.
Q13 If possible, also provide the technical specifications for these rows (referred to in Q12)					
No comments were provided.					
Q14 Which other variables could be looked at to monitor derivatives exposures and their potential 'outward' risk, in addition to gross notional amounts?					
General Insurance Association of Japan	Japan	No	We believe that monitoring gross notional amounts alone is sufficient to understand transitions in exposures that could be a factor of systemic risk.		Noted.
The OneGoal Initiative for Governance	Switzerland, Geneva	No	May I suggest that substantial information about the risks and losses as well as restrictions in decision-making of third parties that the revenues obtained or obtainable, including via structured investment products, alternative investments and contractual clauses would entail would be disclosed?		Although relevant, contractual third-party decision making, and structural features of specific products are difficult to monitor in a global, macroprudential context. In addition, the IAIS analyses developments in alternative and risky assets as part of its macroprudential work.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Please refer to Q12 answer		Noted.
Q15 What is your assessment of the difference in systemic risk between the risk from OTC derivatives that are centrally cleared vs derivatives that are bilaterally settled?					
Global Federation of Insurance Associations (GFIA)	Global	No	In the US (CFTC rule on uncleared swaps), the EU (EMIR), and potentially other jurisdictions, new rules for margin requirements on uncleared OTC derivative contracts are likely to reduce the systemic risk footprint of such		Noted. Although the risk in OTC derivatives may be mitigated by new margin requirements on derivatives which not are centrally cleared, the extent to which these margin

			derivatives. At present, the IIM scoring includes all OTC derivatives contracts (Row 40.A.1.a). This row should be redefined to exclude derivatives which are subject to these new margin requirements.		requirements mitigate risk is still uncertain. A potential new ancillary indicator for derivatives will be developed in 2023-2025 and will consider various exposure measures (eg potential future exposure, market value and others) in addition to the current gross notional amounts, usage of margin requirements and collateral calls, types of derivative contracts, and their purpose or forms of clearing.
General Insurance Association of Japan	Japan	No	In general, we believe that OTC derivatives that are centrally cleared is less of a systemic risk concern than bilateral derivatives. However, from the perspective of understanding exposures that could be a factor of systemic risk, it is not necessary to check the breakdown.		The IAIS will break down OTC derivatives into two categories for monitoring purposes; centrally cleared and not centrally cleared. However, no change will be made to the current derivatives indicator for the IIM 2023-2025.
American Council of Life Insurers	United States of America	No	The IAIS has requested an assessment of the difference in systemic risk between the risk from OTC derivatives that are centrally cleared vs. derivatives that are bilaterally settled. We would highlight that, in the U.S. (CFTC rule on uncleared swaps), the EU (EMIR), and potentially other jurisdictions, new rules for margin requirements on uncleared OTC derivative contracts is likely to reduce the systemic risk footprint of such derivatives. At present, the IIM scoring includes all OTC derivatives contracts (Row 40.A.1.a). This row should be redefined to exclude derivatives which are subject to these new margin requirements.		Although the risk in OTC derivatives may be mitigated by new margin requirements on derivatives which not are centrally cleared, the extent to which these margin requirements mitigate risk is still uncertain. A potential new ancillary indicator for derivatives will be developed in 2023-2025 and will consider various exposure measures (eg potential future exposure, market value and others) in addition to the current gross notional amounts, usage of margin requirements and collateral calls, types of derivative contracts, and their purpose or forms of clearing. In the 2023 data call, the IAIS will break down OTC derivatives into two categories

					for monitoring purposes; centrally cleared and not centrally cleared. However, no change will be made to the current derivatives indicator for the IIM 2023-2025.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Please refer to Q12 answer		Noted.
Q16 Should the hedging leverage in derivatives and repo exposures be monitored? Please explain and if yes elaborate how this should be monitored					
Insurance Europe	European Union	No	No	Insurance Europe does not wish to respond to this question.	Noted.
Global Federation of Insurance Associations (GFIA)	Global	No	No	Life insurers use derivatives to hedge as part of a prudent asset liability management (ALM) strategy. These are not speculative investments: they are one part of a holistic enterprise risk framework that are often used to hedge against interest rate risks.	Noted.
International Actuarial Association	International	No	No	We do not wish to respond to this question.	Noted.
General Insurance Association of Japan	Japan	No	No	As mentioned above, we believe that monitoring gross notional amounts will work sufficiently well, which means that the monitoring of hedging leverage is unnecessary.	Noted.
The OneGoal Initiative for Governance	Switzerland, Geneva	No	Yes	In any way relating to the answer to Q14. Certainly not limited to that, but I am not in a position to elaborate further on the issue.	Noted.

American Council of Life Insurers	United States of America	No	No	Life insurers use derivatives to hedge as part of a prudent asset liability management (ALM) strategy. These are not speculative investments: they are one part of a holistic enterprise risk framework that are often used to hedge against interest rate risks.	Noted.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Yes	Please refer to Q12 answer	Noted.
Q17 Which (underlying) data rows would be necessary to monitor the potential outward risk of short-term funding?					
General Insurance Association of Japan	Japan	No	We do not believe it is necessary to add new data rows, as detailed data collection is already underway.		Noted.
American Council of Life Insurers	United States of America	No	The U.S. Treasury market is much larger and more liquid when compared to the Non-Government repo market (i.e. Corporate Bonds). The U.S. Treasury repo market serves as both a liquidity generating mechanism and as alternative source to cash deposits. The Non-government bond repo market is primarily for liquidity generation. As a result, it is suggested rows 42.4 can be split by Government and Non-Government Bonds.		Noted. The IAIS considered the proposal, but agreed to not enhance granularity of the row 42.4 in order to increase the reporting burden for participating insurers.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The NAIC agrees with the existing assessment methodology, so no changes are necessary.		Noted.
Q18 If possible, also provide the technical specifications for these rows (referred to in Q17)					

No comments were provided.					
Q19 Which other refinements could be made to the short-term funding indicator?					
CBIRC	China	No	Currently, cross-sector inconsistency remains in IIM. It is recommended that the banking business under the insurance group company be measured against its banking sample first and then aggregated at the Group level, with the aim to properly reflect the importance of the insurer's banking business.		Noted.
Insurance Europe	European Union	No	Currently, row 43.4.d in the IIM template seeks the value of collateral, where the right to resell, re-use or re-hypothecate collateral is explicitly prohibited in the contract. The focus on contractual conditions rather than actual practice in this respect is too restrictive and may provide misleading results. The measure of securities lending should therefore be refined in the technical specifications for the IIM to exclude all securities finance transactions where collateral is held and not reinvested (whether this is due to contractual conditions or insurers' own risk-management appetite and practice).		Noted. The IAIS appreciates refinements to improve the IIM methodology, but decided to keep the row 43.4.d unchanged in order to not increase data burden for participating insurers. IAIS continues in refinements of the IIM Technical Specifications annually.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Please refer to Q17 answer		Noted.
Q20 Do you have any feedback on the removal of financial guarantees as an indicator?					
CBIRC	China	No	Agree. In 2022, MMWG tested the impact of the removal of financial guarantees indicator on the overall score of IIM and it showed minor impact.		Noted.

Insurance Europe	European Union	No	The weight for "financial guarantees", which was 9.4%, is now considered to be 0%. The IAIS justifies this with changes in business models and certain insurers' activities, which led to the fact that the financial guarantees indicator became immaterial from year-end 2016 to year-end 2021. However, Insurance Europe considers that the classification and weighting of systemically important activities in the scoring should not depend on the current business model and activities of insurance companies but on the assessment of systemic relevance and material systemic risks. If "financial guarantees" are seen as a systemically important activity, they should not be omitted from the IIM simply because the insurers deliberately avoid them. The negative consequence of removing "financial guarantees" indicator is that the weights of the other categories have been adjusted accordingly. This shifts the weight from a category that is underrepresented to one that is overrepresented. Consequently, the overall score will probably increase although the systemic relevance may have remained unchanged. What would the IAIS do if insurers cease to use derivatives or any other systemically important activities? Would they also set this category to zero and adjust the rest of the weights? That would suggest an increase in systemic risk when the opposite is the case.		The IAIS will keep the row 28.1.b “Structured finance” in the IIM data collection for financial stability monitoring in case the activity would become material again for insurers participating in the IIM. In addition, the IAIS will continue its monitoring at the sector wide level as well. The IAIS will apply a proportional reweighting of other indicators to smooth the effect of the financial guarantees indicator removal on the overall IIM total score. Moreover, any potential overall score increase caused by the financial guarantees indicator removal was considered in adjustments of the criteria to determine the scope of the annual collective discussions.

			It highlights one of the problems in the current methodology, where the removal of an indicator increases the relative weight of other indicators, which can skew the results despite there being no other changes in the factors measured.		
Global Federation of Insurance Associations (GFIA)	Global	No	The weight for "financial guarantees" which was 9,4% is now considered to be 0%. The IAIS justifies this with changes in business models and certain insurers' activities, which led to the fact that the financial guarantees indicator has become immaterial from year-end 2016 to year-end 2021. However, GFIA considers that the classification and weighting of systemically important activities in the scoring should not depend on the current business model and activities of the insurance companies but on the assessment of systemic relevance and systemic risks. ? If "financial guarantees" are seen as a systemically important activity, it is inadequate to disregard it for insurers, simply because it is deliberately avoided by them. ? As a negative result, the weights of the other categories have been adjusted accordingly. Thus, one shifts the weight from a category that is underrepresented to one that is overrepresented. Consequently, the overall score will probably increase although the systemic relevance may have remained unchanged.		See response above.

			? What would IAIS do if insurers will not use derivatives or other systemically important activities? Would they also set this category to zero and adjust the rest of the weights?		
General Insurance Association of Japan	Japan	No	We agree with this treatment as stated in the paper.		Noted.
Swiss Re	Switzerland	No	Comments on financial guarantees: In case the indicator is removed, any and all data collection in connection with the indicator should be stopped, too. If it was the IAIS' assessment that there is no longer any systemic risk in this area, the relevant line items should be eliminated from the data call. If financial guarantees are seen as a systemically important activity, it would be inappropriate to disregard them simply because they are deliberately avoided by companies. As a negative side effect/result of removing financial guarantees the impact/weighting of other categories are necessarily going to be adjusted. This might lead other categories to have a disproportionate impact and some participants' score might increase despite the systemic relevance not having changed at all. Swiss Re would be open to discuss this in more detail.		The IAIS will keep the row 28.1.b "Structured finance" in the IIM data collection for financial stability monitoring in case the activity would become material again for certain insurers. In addition, the IAIS will continue its monitoring at the sector wide level as well. The IAIS will apply a proportional reweighting of other indicator to smooth the effect of this indicator removal on the overall total score. Moreover, any potential overall score increase will lead to adjustments of the criteria to determine the scope of the annual collective discussions on the outcomes of the GME.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The NAIC is in favor of removing the financial guarantee indicator.		Noted.

Q21 Do you have any other feedback on any of the indicators?					
Insurance Europe	European Union	No	The indicators are based on the data provided in the IIM template. The valuation basis of the various data cells is based on accounting standards. Insurance Europe questions whether this provides a good comparison basis and whether an economic valuation/fair-value basis would not be a better standard for comparison. This would allow for true comparability between indicators. Within a submission, amortised cost and fair-value data would be added to complete the rows as required.		The IAIS acknowledges that there exist differences among accounting standards which do not allow a full-featured comparison. However, the economic valuation/fair-value basis is not available for all indicators or some jurisdictions. The IAIS investigates impact of various accounting standards on IIM scores. For example, the IAIS collects additional information on accounting methods related to level 3 assets that will help to increase comparability of this indicator.
International Actuarial Association	International	No	With regard to the Substitutability item on line 4, the template asks for Marine premium, with the statement that "Note marine includes "inland marine', i.e., transport hull.". There are several concerns with this request. First, the marine category can include coverage for yachts and other pleasure craft. It is doubtful that a narrowing of the insurance market for such craft would result in a strain to financial markets. Second, the "inland marine" line in the U.S. does not include "transport hull", but instead can include items such as jewelry, art works, cameras, construction equipment, and other items unlikely to be a focus for financial stability. At least in the U.S., the line labeled "Ocean Marine" would probably be a better fit for what the IAIS is looking for, but even then it should exclude premiums from non-businesses so as to exclude personal pleasure crafts.		The IAIS acknowledges the relevance of further granularity within the business line but this level of information in not necessarily available in all jurisdictions. Anyway, in case of significant evolution, a qualitative information on the specific business line may be reported in the Qualitative Component of the IIM Template.

General Insurance Association of Japan	Japan	No	Since there is no space in this consultation for general comments, we will include them below: We appreciate the opportunity to express our views. We understand the importance to capture the systemic risks in the insurance sector through the IIM data collection. However we believe that the systemic risks of the insurance sector are smaller than the other finance sectors. We understand that the IAIS has conducted reviews of low-priority items in the past. However, we have concerns about further increases in the data reporting burden, rather than benefits, on insurers in the next round of data collection, including more granular items on the data collection than the current specification, the expansion of liquidity risk-related data and the addition of climate change risk-related data. In reviewing the IIM methodology this time, we would like to ask the IAIS to carefully select data that is truly necessary and to consider the use of publicly available data, taking into account the overall increase in the burden on insurers. Some data are burdensome to compile on a group basis or difficult to obtain at the appropriate time. For example, for granular data that is not included in consolidated accounts, it is necessary to firstly check whether the required data exists, collect it from subsidiaries, consolidate it, and create other data, all of which amounts to a great deal of data aggregation work. Therefore, we would like to reiterate that the overall principle of IIM data collection should be on a best-effort basis and that proportionality should be ensured.		The IAIS acknowledges stakeholders' concerns about reporting burden, appreciates all provided IIM data and will continue to focus on the efficiency and consistency of IIM data collections.

			The data for "3 Global Monitoring Exercise - Interplays with Sector-wide Monitoring" in the technical specification is not relevant to the IIM scoring index, and therefore, we support the continued approval of reporting on a best-effort basis. Regarding "Row 53: Current Liquidity Position", under the current specification, if the liquidity indicator is not calculated on a group basis, the response should be "NA", and we continue to support this specification. Although the number of items to be monitored for liquidity risk is expected to increase significantly, we would like reviewing and simplifying the specifications for CPA (Company Projection Approach) data collection on Row 56 and Row 57 to be considered in the future, given that the liquidity risk in the insurance sector is smaller than in the banking sector.		
Swiss Re	Switzerland	No	Swiss Re would like to point out the significant increase in the number of 'ancillary indicators' over recent years. We understand the 'Holistic Framework' mandate such that it should assess and mitigate the build-up of systemic risk in the insurance sector. Accordingly, the GME (SWM and IIM) should not turn into general data collection exercises to 'just understand certain aspects better'. Rather, solid business cases for developing any additional ancillary indicators should be the way to go.		The IAIS acknowledges stakeholders' concerns about reporting burden, appreciates all provided IIM data and will continue to focus on the efficiency and consistency of IIM data collections.

American Property Casualty Insurance Association	USA	No	Having 5 liquidity metrics is an unnecessarily large number and the data requested should be streamlined to 1-2 metrics. We have no particular view on which metric(s) are chosen. Having to collect data, monitor, and explain differences across metrics and variations within each metric will not be a straightforward activity. We also note that the introduction states: "the IAIS is collecting data to inform its ongoing work to develop ancillary indicators for monitoring insurers' liquidity (see in particular section 2.18). A detailed calculation of currently tested liquidity metrics (using factors as described in the Public Consultation Document 202111) is provided in a separate Template sheet. The ancillary indicators do not affect the aggregated score of the firms in the rankings, however they may provide additional context that can inform the overall assessment of systemic risk". We believe that using the IIM to finalize the design of the liquidity indicators is misguided and adversely affects the insurers participating in the exercise. There have been two formal and extensive public consultations on ancillary liquidity metrics/indicators. These metrics would have to be reported, along with existing liquidity data points, adding unnecessary complexity for companies.		The IAIS is well aware of insurers concerns about reporting burden and appreciates all provided data. Regarding new liquidity metrics, the new ancillary indicator has been carefully calibrated in previous 3 years considering public consultation feedback. It provides insights on liquidity from various points of view. Unfortunately, it was not possible to design a simple ratio based on few data cells that would be able to monitor the developments of liquidity in insurance sector. Even in comparison to banking liquidity monitoring (eg LCR or NSFR), the IAIS liquidity metrics provide simpler and more streamlined tool with incomparably lower reporting burden. The liquidity metrics monitor liquidity using three different time horizons and capturing balance sheet and cash-flow data. Moreover, there is almost no additional data burden related to the 3-month time horizon ILR as the difference between 1-year and 3-month time horizon ILRs is related to factors which are not collected in the IIM data collection.
Q22 What is your view of the overall granularity of the IIM data template (Annex 1)?					
Insurance Europe	European Union	No	On the granularity of the section on liquidity (2.10 row 33), one could question the details requested as there is no clear empirical evidence of the relevance of the split other than for the		Noted. The IAIS appreciates any concrete suggestions on the Technical Specification. All suggestions are

			bucketing needed for the liquidity metrics. Technical specifications are, in many cases, unclear or not precise enough and participating insurers have to make their own interpretations. As an example, it is unclear whether securitisations should be included in rows 65.1 and 65.2.		considered in the annual review of the Technical Specifications and the IAIS also provides detailed responses in the annual Q&A process. Moreover, the IAIS emphasized in the IIM 2023 Technical Specifications that no securitizations should be reported under rows 65.1 (sovereign bonds) and 65.2 (corporate bonds).
Global Federation of Insurance Associations (GFIA)	Global	No	Technical specifications are, in many cases, unclear or not precise enough (referencing), and participating insurers have to make their own interpretations. As an example, rows 65.1 and 65,2, it is unclear that securitisations should be included (already included in 65.Z) or not. While GFIA supports the IIM and annual data collection, there is a need to carefully weigh the addition of any new fields to avoid burdening respondents. For instance, it is not clear to GFIA that the proposed new data rows for OTC derivatives will yield meaningful information about distinct systemic risk profiles of different derivative types. If new data points are needed, GFIA encourages the IAIS to consider whether any data fields are unnecessary and can be deleted. For example, the IAIS should reduce the number of liquidity metrics from five to one.		Noted. Efforts of clarifications will be made for technical specifications. The IAIS acknowledges stakeholders' concerns about reporting burden, appreciates all provided IIM data and will continue to focus on the efficiency and consistency of IIM data collections. In addition, the IAIS emphasized in the IIM 2023 Technical Specifications that no securitizations should be reported under rows 65.1 (sovereign bonds) and 65.2 (corporate bonds).
Institute of International Finance	United States	No	Further Focusing of the IIM Data Fields. We encourage the IAIS to further focus the data fields contained in the IIM assessment methodology, with a view to only requesting on a best-efforts basis the data fields that are clearly linked to		The IAIS acknowledges stakeholders' concerns about reporting burden, appreciates all provided IIM data and will continue to focus on the efficiency and consistency of IIM data collections.

			the IAIS's ultimate objective of identifying and assessing systemic risk in the global insurance sector (as opposed to gathering information that may be helpful to jurisdictional supervisors for microprudential purposes). This clear focus would also reduce burden on the industry and IAIS members alike and help to provide the IAIS with information from IIM participants in a timely manner. While we recognize that the IAIS has conducted a significant amount of work in developing its liquidity metrics, we believe that this is an area where the IIM assessment methodology could be more focused with an improved methodology that better reflects the economics underlying product design. In particular, the liability bucketing in Section 2.10 of the IIM Consultation reflects a disproportionate focus on overly granular formal penalties, which generally do not reflect the underlying economics of the product design and could result in unintended consequences and skewed incentives for insurers and policyholders alike. Additionally, the IAIS should consider reducing the number of liquidity metrics from five to one or two. Leveraging Existing Data and Information. The IAIS could also leverage the considerable amount of information that is released publicly by the internationally active insurers that are subject to the IIM. The collection of non-public data should be carefully justified in order to avoid the inadvertent release of confidential or proprietary information. Standardizing Templates and Increasing Data Collection Timelines and		Regarding new liquidity metrics, they have to be tested before considering any streamlining and the current context shows the importance of liquidity risk monitoring. Noted for the timeline and increased transparency concerning data collection changes.

			Transparency. The IAIS should consider increasing the timeline to collect the data. Furthermore, the timelines, along with the data template and technical specifications, should be provided further in advance. More clarity and consistency around the data collection process would allow insurers to plan and allocate sufficient resources for the exercise. Furthermore, when changes to the template are made, such as the addition of new or revised data fields, the IAIS could provide advance notice of the change(s) and additional time for insurers to provide the requested information. By providing greater clarity around timelines and advance notice of deadlines and/or changes to the template, insurers will be able to enhance their internal processes and ultimately provide better quality data to the IAIS. We appreciate the opportunity to comment on the IIM Consultation and we look forward to ongoing opportunities for dialogue with IAIS members on issues related to the potential for systemic risk to arise from the insurance sector. We reiterate our long-standing and well recognized position that the insurance sector poses considerably less potential systemic risk than other financial services sectors and by contrast has demonstrated its capacity as a shock absorber for the financial system. While we acknowledge the importance of supervisory (and insurer) vigilance in an evolving risk environment, we believe that this vigilance can be delivered in a proportionate manner, leveraging the considerable tools that the insurance		

			industry regularly employs in managing its risks.		
American Council of Life Insurers	United States of America	No	While ACLI supports the IIM and annual data collection, there is a need to carefully weigh any new fields to avoid burdening respondents. For instance, it is not clear to us that the proposed new data rows for OTC derivatives will yield meaningful information about distinct systemic risk profiles of different derivative types. We encourage the IAIS to consider whether any data fields are unnecessary and can be deleted. For example, we encourage the IAIS to reduce the number of liquidity metrics from five to one or two. We also encourage the IAIS to continue providing a clear rationale for the collection of any non-public data.		The IAIS acknowledges stakeholders' concerns about reporting burden, appreciates all provided IIM data and will continue to focus on the efficiency and consistency of IIM data collections.
American Property Casualty Insurance Association	USA	No	APCIA is a member of the Global Federation of Insurance Associations (GFIA), and we strongly endorse in particular GFIA's concerns about further increases in the data reporting burden for insurers that are subject to the annual IIM data collection. We urge the IAIS to request additional data from insurers only when it is not publicly available, and the data elements are necessary to identify systemic or macroprudential risks.		The IAIS acknowledges stakeholders' concerns about reporting burden, appreciates all provided IIM data and will continue to focus on the efficiency and consistency of IIM data collections.
Q23 Do you have any feedback on the updated indicator weighting?					
Insurance Europe	European Union	No	See reply above to the question on the removal of the financial guarantees indicator.		Noted.
General Insurance	Japan	No	As described, it is considered reasonable to reweigh the financial guarantees		Noted.

Association of Japan			indicator based on the composition ratio of the other 13 indicators.		
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The NAIC agrees with the updated indicator weighting to reflect omission of the financial guarantee indicator.		Noted.
Q24 Do you have any feedback on the Insurer Pool selection criteria?					
General Insurance Association of Japan	Japan	No	No change to the current criteria is considered necessary.		Noted.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The NAIC recommends that the insurer pool selection criteria contain language providing for an inflation adjustment of the dollar threshold on a periodic basis.		The IAIS will adjust the Insurer Pool selection criteria for inflationary impacts and thus to update the Paragraph 36 of the GME document in the following way: - Total assets of more than USD 60 billion [will be updated to 65 billion, and a ratio of premiums from jurisdictions outside the home jurisdiction to total premiums of 5% or more; or - Total assets of more than USD 200 billion [will be updated to 215 billion, and a ratio of premiums from jurisdictions outside the home jurisdiction to total premiums greater than 0%. In addition, to allow a more representative Insurer Pool for systemic risk analysis, the IAIS will add a new sentence to the GME document along the lines that if a certain jurisdiction has no or a limited amount of insurer(s) represented in the Insurer Pool, the supervisor is encouraged to apply supervisory discretion to include insurance groups into the Insurer Pool, in particular for insurance groups approaching 65 billion in total assets, in order to enhance the regional balance

					and diversity of the Individual Insurer Monitoring.
Q25 Do you have any feedback on the Participating Insurer Reports?					
CBIRC	China	No	It is recommended that the PIR includes a multi-year trend analysis of the total scores and scores for each indicator, beside a YoY change, to capture the score trends. In future, if the multi-year trend criteria can be considered while determining the scope of the collective discussion (currently only yearly trends are captured), PIR could serve as a good reference point.		Noted. Multi-year trends will be considered in the preparation of annual PIRs and scopes of the collective discussions.
Insurance Europe	European Union	No	The reports are factual and to the point. However, the IAIS could add the conclusion they would draw in comparison with the previous period and in comparison with the average benchmark. In addition, Insurance Europe would like to highlight the following aspects of the data collection process: Stability/streamlining of the data collection is paramount New data fields and qualitative components have been added every year with little notice before the changes were implemented. Many of the new data fields are not available from the financial statement and must be produced specifically for the IIM. Insurance Europe urges the IAIS to keep the IIM stable for the next three-year cycle. Only a relatively small number of data fields (c.15%) are used for Participating Insurer Reports/indicators. The		PIR are internationally more numeric and factual. Clarification and general description of trends is provided in annual GIMAR reports. Noted. The IAIS tries to reduce reporting burden annually and thus conducts annual review of the IIM Template. However, new emerging risks and topics appear at the market every year and the IIM Template reflects their importance, e.g. developments in (cross-border) reinsurance sector, climate change, margin calls and liquidity or consistency of level 3 assets and their reporting. PIR includes just a part of data rows that are used in the IAIS data analysis. All rows collected in the IIM Template are carefully chosen, validated and analysed in various streams of the IAIS monitoring of financial stability.

			qualitative component is seen as providing low added value because answers are not comparable between participating insurers and there is a perception that the information collected does not inform the ultimate goal of the GME process, which is to detect the possible build-up of systemic risk in the global insurance sector. The continuing deletions and additions of data fields and qualitative components suggests that the majority of the information collected is not necessary. The need to expand the data collected on reinsurance business is questionable. The combination of the IIM quantitative template, the IIM qualitative questionnaire and the reinsurance component of the Sector Wide Monitoring (SWM) provides a lot of information on reinsurance exposures and cross-border reinsurance activities. It should also be remembered that reinsurance business is cross-border by nature; this is not a risk but the core of the reinsurance business model. Insurance Europe strongly recommends that the IAIS does not to develop new ancillary indicators before the lessons of the implementation of the liquidity indicators over the three-year cycle are learnt. The development of the liquidity ancillary indicators proved to be an onerous process and priority for all stakeholders should be given to get accustomed to them. Furthermore, on substance, Insurance Europe does not see the macroprudential value added of a reinsurance ancillary indicator for the reasons stated above.		

			More time should be given to participants to complete the IIM and the timeline should be provided well in advance, along with the data template and technical specifications. The staff involved in the preparation of the IIM data collection are the same people involved in the year-end and quarterly closings and filings. The IIM timing overlaps with this work and creates a lot of stress on internal processes at a time when companies are revamping their systems and processes to apply the new IFRS accounting rules. Providing more time to populate the IIM and the timeline far in advance would allow the teams to fit this exercise into their planning more efficiently, ie, when a cycle ends and before a new cycle (a point in time different for each company, hence the longer period that should be provided to answer the survey).		
Global Federation of Insurance Associations (GFIA)	Global	No	The reports are factual and to the point. However, the IAIS could add as a conclusion that it would draw in comparison with the previous period and in comparison, with the average benchmark. GFIA welcomes the opportunity provided by the IAIS to participating individual insurers to review the results of their individual assessments via the Participating Insurer Reports (PIRs) to understand their relative position among the wider pool of participating insurers. Additionally, the Global Insurance Market Report (GIMAR) provides a useful overview of risks and trends in the global insurance sector, clarifying which drivers		Noted. PIR are internationally more numeric and factual. Clarification and general description of trends is provided in annual GIMAR reports.

			may underline the build-up of systemic risk over time.		
General Insurance Association of Japan	Japan	No	The current PIRs shows the position of the company's group within the overall group companies that provide data. We would like the IAIS to consider dividing the overall group companies into the following three categories as mentioned in the ICS, and indicating the position of each company within that group companies: - Predominant Life insurers; - Predominant Non-life insurers; and - Composite insurers		Noted. This split is already provided in PIRs. Each participating insurer gets its comparison with peers in one of three main business types: - Predominantly life insurers; - Predominantly non-life insurers; and - Composite insurers Moreover, each insurer gets a comparison with the whole Insurer Pool development for data rows where the insurer provided non-zero data.
Swiss Re	Switzerland	No	Swiss Re appreciates the informative participating insurer reports. Year-over-year comparisons would be interesting.		Noted. The multi-year comparison will be considered by the IAIS for addition to PIRs in following years.
Q26 Do you have any feedback on the Global Insurance Market Report (GIMAR)?					
Insurance Europe	European Union	No	As noted during the IAIS call on 10 January 2023, Insurance Europe considers the IAIS's decision to develop five liquidity metrics is unnecessary and should be streamlined. The IIM section of the 2022 GIMAR indicates that the IAIS performed trend analysis on data from the insurer pool. This indicates that the aggregate systemic risk score has been increasing over the past five years. However, it is not entirely clear from the report whether this is due to increases in the size of the pool, the insurers within it or insurers pivoting away from traditional activities towards those that are perceived to have the potential to give rise to systemic risk.		Noted. The trend analysis published in the GIMAR includes sample controls (ie capturing the same insurers in all analysed years) to reduce the impact of the Insurer Pool changes. Regarding new liquidity metrics, the new ancillary indicator has been carefully calibrated in previous 3 years considering public consultation feedback. It provides insights on liquidity from various points of view. Unfortunately, it was not possible to design a simple ratio based on few data cells that would be able to monitor the developments of liquidity in insurance sector. Even in comparison to banking

			The IIM section of the 2022 GIMAR report also provides a comparison of insurers' systemic footprint with that of banks, using the scoring methodology based on indicators that are common to both global systemically important banks and the IAIS IIM methodology. This notes that insurer scores trended upwards (+14%) whereas bank scores trended slightly downwards (-3%). However, comparing the methodology scores between banks and insurers is not a good basis for assessing their comparative systemic footprint, given that the methodology is overly influenced by size. All banks undertake potentially systemic activities, and it follows that large banks will pose greater risk than smaller banks. The same is not true for insurers, where it is not the size of an insurer but particular activities that may be a source of potential systemic risk, and it will be the size of those potentially relevant activities in the context of the global financial system, rather than the insurance pool, that will be relevant.		liquidity monitoring (eg LCR or NSFR), the IAIS liquidity metrics provide simpler and more streamlined tool with incomparably lower reporting burden. The liquidity metrics monitor liquidity using three different time horizons and capturing balance sheet and cash-flow data. Moreover, there is almost no additional data burden related to the 3-month time horizon ILR as the difference between 1-year and 3-month time horizon ILRs is related to factors which are not collected in the IIM data collection. Comments on the cross-sectoral analysis were noted.
Global Federation of Insurance Associations (GFIA)	Global	No	GFIA also encourages the IAIS to continue providing a clear rationale for the collection of any non-public data.		Noted.
International Actuarial Association	International	No	The 2022 GIMAR report said in respect of climate-related risk: The lack of progress in reducing global fossil fuel emissions is contributing to heightened transition and physical risks from climate change in the insurance sector. The IAIS supports		Comments were noted and will be considered in refinements of the IIM data collections.

			supervisors to strengthen their understanding of the type and magnitude of climate-related exposures in the insurance sector in order to inform effective supervisory responses. Gaps in protection against climate-related risks are, in many cases, significant and supervisors anticipate that they will continue to increase, hence the role that supervisors can play in helping to address climate-related protection gaps will be an area of focus for the IAIS going forward. We encourage extending the data collection to look at more than the investment focus of the 2022 exercise as having the liability information as well, alongside the corresponding investment information , as this would help understand who is exposed (the insurer or the policyholder) and also give some insight into the protection gap mentioned in the extract above. In addition, with regard to the protection gap, the IAA has some thoughts on how to structure that discussion: - First there is a need to identify who has the gap. The options that may exist vary significantly among those potentially affected. o Some of those with the protection gap are governmental bodies (e.g., infrastructure damage, debris cleanup costs, loss of tax base)		

			o The very rich do not need insurance. They can also afford mitigation efforts. o The very poor cannot afford insurance. Closing the protection gap either requires. government subsidies or removing these parties for the exposed areas. o The middle class can afford insurance but may not be incented to mitigate the exposure prior to the disaster. - Options for many of the above are to avoid, mitigate pre-event, or come up with a funding mechanism. This is frequently a (difficult) public policy decision, with the possible actions probably very much influenced by the local culture/history. So one size doesn't fit all, andt he potential solutions for one group often conflict with those for others, such as the very rich objecting to funding government subsidies for the very poor, via higher taxes.		
General Insurance Association of Japan	Japan	No	Similar to our comments on 2.4.1, please consider classifying the results of IIM analysis in GIMAR into Predominant Life insurers, Predominant Non-life insurers, and Composite insurers, and disclose the analysis results for each classification. We would also like to see the analysis results of group companies classified by region. In-depth descriptions of specific issues that have emerged in each jurisdiction (e.g., the LDI investment in the UK and the life insurance acquisition of PE		Noted. These business type and regional splits were already provided in the GIMAR in previous years. Newly emerging specific issues are annually considered in the preparation of the IIM Template.

			business in the US) would be useful and informative.		
Swiss Re	Switzerland	No	Swiss Re appreciates the level of information and analysis provided in the GIMAR.		Noted.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The NAIC recommends that the GIMAR should be more concise.		Noted.