INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

Compiled Comments on Holistic Framework for Systemic Risk in the Insurance Sector 14-Nov-18 to 30-Jan-19

Organisation	Jurisdiction	Confi - dential	Answer / Comment
Q1 Is the list of key exposures that may lead to a systemic impact and its description appropriate? Please elaborate.			
1. Association of Bermuda Insurers and Reinsurers	Bermuda	No	**Answer:** The Association of Bermuda Insurers and Reinsurers ("ABIR") represents the public policy interests of Bermuda's international insurers and reinsurers that protect consumers around the world. ABIR kindly thanks the International Association of Insurance Supervisors ("IAIS") for the opportunity to comment on the Holistic Framework for Systemic Risk in the Insurance Sector and looks forward to being involved in the consultative process as the IAIS revises the relevant ICP's and ComFrame. As it relates to the Liquidity Exposures, ABIR believes that if the measures are to be implemented, they should not be prescriptive or a rigid response to liquidity monitoring (as is the case in the banking sector) but should be proportional and relevant to the individual insurer. The measures should also be included in existing procedures, internal and external reporting requirements rather than additional reporting requirements. As it relates to counterparty exposure, ABIR would recommend caution when comparing the insurance industry to the banking sector and harmonizing measures. Reinsurance is very unique as compared to the Banking Sector as it is countercyclical. ABIR believes that inter-financial exposure does not impact reinsurance to any degree comparable to Banking and it does not take into account the business model of reinsurance or the protection reinsurance provides to consumers. As it relates to Substitutability, ABIR would recommend the delineation of micro and macro factors as substitutability is mainly a micro concern that effects the individual insurer rather than a macro concern. In general, even in distressed markets, the reinsurance sector provides robust coverage through a wide array of products. In this regard, ABIR wishes to highlight the need for open and unrestricted markets as substitutability issues may be created by the regulators themselves with artificial limits on markets.
2. Canadian Institute of Actuaries	Canada	No	**Answer:** - Definition of systemic risk: Systemic risk must be more clearly defined to consistently apply the concepts and approaches that would allow the supervisory regimes to monitor and act, as necessary, when required. Liquidity was offered as an example, and most practitioners would agree this would meet the definition of systemic risk despite the lack of a clear definition of systemic risk and the analysis of liquidity against this definition. We did struggle to accept the other candidate risks identified in the paper, recognizing that tolerances of these risks may vary by region. A definition of systemic risk would resolve these inconsistent perspectives. We recommend that (1) a definition of systemic risk be provided including criteria that would cause a candidate risk to be designated a systemic risk, and (2) that each candidate risk be analyzed against these criteria.

			- Consistent application of approaches for each risk designated a systemic risk: We struggled with some of the approaches defined in the paper, in part because of the inconsistent view of some of the candidate risks and the designation of all these candidate risks as systemic risks. We expect that these inconsistencies will be largely eliminated once the definition of systemic risk and the evaluation criteria are defined. Comments on candidate risks identified in the paper: o Liquidity risks: The paper uses references that suggest that liquidity risks in the insurance sector are comparable to liquidity risks in the banking sector. (Annex 2 references "Tier 3 assets", which is a Basel III concept.) We believe that many liabilities in the insurance sector are illiquid and assets backing these liabilities would not be subject to a forced sale. We recommend that the application of the approaches to monitor liquidity risks be refined further in order to be applicable to the insurance sector. o Macroeconomic risks: We support the consideration of macroeconomic exposures as a source of systemic risk, and we recommend that the consideration of these exposures must clearly account for existing company risk mitigation processes and local jurisdictional supervisory controls. Failure to do so will lead to an inappropriate macroeconomic bias against long-term investment and savings products. o Counterparty exposure risks: We support the consideration of counterparty exposures as a source of systemic risk, but we recommend that the consideration of these exposures must clearly account for existing company risk mitigation processes and local jurisdictional supervisory controls. o Lack of substitutability: This may pose a systemic risk to local markets, but we believe it unlikely that this would constitute a global systemic risk. o "Others": The paper identified cyber risk, under-reserving of certain liabilities, and climate risk as candidate risks. We would also include future regulatory changes as candidate risks; current examples would include IFRS 17 and ICS 2.0. In each example, a more precise definition of systemic risk, including the criteria that would cause a candidate risk to be designated a systemic risk, would eliminate this noise and would enable the IAIS members to move forward with this issue. - GAP analysis: We note regional differences in benefit designs and risk mitigation tools and recognize that regional biases for and against each feature may exist. We support the use of a GAP analysis to identify these differences, but we recommend that the paper provide additional commentary regarding assessing the effectiveness of existing risk mitigation processes under the macroeconomic stress environments envisaged by the framework.
3. Manulife Fi nancial	Canada	No	**Answer:** We appreciate and support the IAIS' plan to assess liquidity risk as one of the key exposures that can lead to a build-up of systemic risk. Below are our comments on specific liquidity risk management including aspects that IAIS outlines in the Annex accompanying the Holistic Framework for Systemic Risk. The description of Securities Lending transactions in paragraph 34 is not accurate. Securities lending transaction itself is a market making activity and it contributes to overall liquidity of the market. The rehypothecation of collateral is the

			activity that could potentially generate liquidity risk for the company. However, rehypothecation of collateral is not limited to securities lending transactions. It could also apply to repo collateral, derivative collateral, or any other type of collateral which gives the party rehypothecation right. As a result, this section should be re-written. In addition, instead of saying Derivatives, the title should be changed to Collateral and Margin Requirements from Derivatives. It is the activities of posting collateral and margin (especially cash variation margin) that generate the liquidity risk. Derivatives structured to allow posting of securities collateral carry much less liquidity risk for insurers. For macroeconomic exposure, we also suggest we should focus on the activities, rather than the product type or product features. For example, paragraph 37 mentions savings-oriented products. However, the same applies to any long duration contract without a saving element but with a guaranteed premium element, such as Long-Term Care insurance. As a result, we believe that the right way to look at it is focusing on the activity itself, which is: insurers not hedging their guarantees, rather than addressing specific product features. Product features that are properly priced and hedged should not result in systemic risk.
4. Insurance Europe	Europe	No	**Answer:** General Comments: - Insurance Europe has always argued that traditional insurance is not systemically risky, and that systemic risk can only originate from a very limited number of activities undertaken on a large scale in the wrong conditions. - Insurance Europe notes that the IAIS proposes a new framework intending to combine three different approaches: i) an entity-based approach, ii) an activity-based approach (e.g. an aggregated data collection reflecting the insurance sector's risk per activity with a focus on liquidity risk), iii) a cross-sectorial approach based on the comparison of common indicators. - Insurance Europe sees the need for a clearly defined mechanism with respect to the scope of application of policy measures: before requiring the application of a supervisory power of intervention, a national supervisor should coordinate with the insurer, achieve a mutual understanding of the situation that might give rise to systemic risk and discuss alternatives. The insurer should also be given the right to appeal against certain measures. Otherwise, the new approach would tend to blur traditional references in IAIS norms and may result in subjectivity, an unclear scope of application and in regulatory uncertainty for many insurers. - In considering the scope of the application of policy measures, the IAIS should distinguish between: i) those measures that are reflective of good practice, which should be approached in a proportionate manner given the nature of insurers' business and very low likelihood of potential contribution towards systemic risk (for

			example, managing counterparty exposures as part of ERM); and ii) those measures with more limited scope, such as resolution, which should only be applied where it can be demonstrated that there are material risks to the global financial system. - Insurance Europe would emphasise that extending some of the measures that currently only apply to G-SIIs to a broader portion of the insurance sector means that the idea of proportionality and the consideration of cost and benefit aspects become crucial, given the extremely low systemicity of the insurance sector. The challenge is to define a concrete threshold to identify systemically risky activities that could lead to collective actions and therefore amplify shocks to the rest of the financial system. The threshold must be adequately calibrated to meet the materiality criterion. - A globally-consistent, proportionate application of policy measures linked to systemic risk is crucial, and Insurance Europe supports the IAIS' efforts in this sense. Based on the strong application of the proportionality principle, Insurance Europe believes that undertakings whose activities are not shown to pose systemic risk concerns should not be subject to undue regulatory burdens (this could be achieved, for example, through a waiver). - The current set of IAIGs includes groups of varying size, that run a wide range of activities; therefore, these insurers' systemic potential is not identical. Insurance Europe also believes that the holistic framework should pay particular attention to preserving a level playing field between different insurance groups and jurisdictions. - The IAIS puts forth a wide range of liquidity-oriented measures. Several measures appear to be non-essential, burdensome and without evidence of their potential effect on systemic risk. In Europe, the liquidity management requirements that are currently part of Solvency II are generally sufficient, given the limited liquidity risk in insurers' traditional business models, the high complexity of operationalisation of liquidity-oriented measures and the potential side effects, as EIOPA recognises in its recent report on other potential macroprudential tools and measures (section 3.3). - More generally, Insurance Europe understands the need for data to support an adequate and relevant supervisory process. But Insurance Europe would point out that insurers already have to face very burdensome data collection exercises. Therefore, the IAIS should ensure that its data collection exercise is proportionate and appropriately justified. - The holistic framework for systemic risk needs to be compatible with other existing

			requirements, such as national provisions, stress tests, European initiatives on macroprudential and the ICS. - In particular, Insurance Europe believes that the IAIS should clarify that the ICS should not be used as a basis for supervisory intervention under the holistic framework until it is formally implemented as a group-wide PCR in jurisdictions. Q1: A globally-consistent, proportionate application of policy measures is also desirable, and Insurance Europe supports the IAIS' efforts in this sense. However, Insurance Europe believes that there is still insufficient clarity on how systemic risk is generated by insurers and transmitted to the financial system or even how the definition of "systemic risk" can be operationalised for the insurance sector. In order to have a coherent framework, specificity and definition are needed around the scope of activities and risks that are potentially subject to systemic risk regulation. The IAIS should propose clear criteria for a risk manifestation to be considered "systemic" for the insurance industry. The challenge is not only to distinguish micro from macro risk, but also to assess which systemic (macro) risk is related to insurance. These elements should be better articulated before the holistic framework can provide a basis for the assessment and mitigation of systemic risk in the insurance sector. Extending some measures that currently only apply to G-SIIs, to a broader portion of the insurance sector means that the idea of proportionality and the consideration of cost and benefits aspects become crucial. The challenge is to define a concrete threshold to identify systemically risky activities that could lead to collective actions and therefore amplify shocks to the rest of the financial system. The threshold must be adequately calibrated to meet the materiality criterion. Furthermore - supposing there is a residual gap - policy measures must be proportionate. That includes a strong focus on how existing policy measures and risk management practices reduce or even close the gap (e.g. Solvency II). The objectives of supervision are an adequate protection of policyholders and beneficiaries and the stability of financial system. Therefore, the holistic approach should focus on the stability of the global financial system. Lack of substitutability should be excluded from the sources of risks. The operation of an insurer in a

			specific market should not be considered as an activity of potential systemic risk to the financial system. Including these criteria might disincentivise product offerings in highly concentrated markets and lead to a restricted product range in terms of marine, aviation, export credit, catastrophe, mortgage and financial guarantee insurance. In paragraph 39, the IAIS states that reinsurance contracts could be a source of counterparty exposure. Insurance Europe would point out that IAIS concluded in its 2012 report "Reinsurance and financial stability" that traditional and finite reinsurance is unlikely to create systemic risk. Even though cyber risks can surely cause significant damages, Insurance Europe does not see how this risk could be adequately quantified and it would also be difficult to quantify climate risk exposure. As emerging risks, there is currently no evidence that these can be considered systemic. In the new holistic framework, the scope regarding these risks should be confined to extensive monitoring.
5. Allianz	Germany	No	**Answer:** General Comments Allianz Group fully supports the development of an activities-based approach and we appreciate the efforts of the IAIS in this respect. More specifically, we welcome the goal to ultimately remove the designation of G-SIIs. Notwithstanding, we consider the proposal on the indicator methodology as premature considering that the related indicators are largely unchanged compared to the previous designation methodology. In this context, the link between indicators and transmission channels is a critical omission and we would urge the IAIS to clearly specify that nexus. In general, we welcome IAIS' intention to consider systemic risk across sectors. However, we would like to reiterate the importance of the specifics of insurer's business model like high quality assets, long-term business perspective, generally high liquidity and use of derivatives predominately for hedging which need to be adequately reflected in the assessment of systemic risk. Allianz welcomes the IAIS' aim to move away from entity-based designations and towards a holistic evaluation of systemic risk in the insurance sector. A globally-consistent application of policy measures is also desirable, and Allianz supports the IAIS' efforts in this regard. However, Allianz believes that there is still insufficient clarity on how systemic risk is generated by insurers and transmitted to the financial system or even how "systemic risk" is defined. These elements should be better articulated before the holistic framework can provide a basis for the assessment and mitigation of systemic risk in the insurance sector. For example, as part of the indicator methodology size, global activity and substitutability remain key categories - leading in fact to no fundamental modifications from an entitiy-based approach. In this context, we would like to reiterate that especially size and global reach are typically risk mitigants for insurers considering diversification effects rather than amplifying systemic risk. Furthermore, we consider substitutability not as a source of systemic risk. Insurance markets are usually characterized by high competition and availability of

			capital so that sufficient capacity is generally available. In addition, the business lines considered by the IAIS are often characterized by underwriting on a subscription basis, international placements, provision of coverage on a co-insurance basis as well as by a very low insurance penetration ratio (e.g. credit insurance).
6. Bundesans talt für Finanz dienstleistung saufsicht (Ba Fin)	Germany - BAFIN	No	**Answer:** The list of exposures listed in the document is generally appropriate, it reflects the previous publications on the matter well and tried to further refine the approach taking account of developments from other supervisors or organisations. It is generally accepted that liquidity is usually not a material risk for insurers. The business model of insurers is less affected by liquidity stresses. Therefore, we suggest to change the order of risks and putting "Liquidity risk" before "other source of risk". Some additionally consideration could be given to the fact that a guarantee in general is not bad, it is a fundamental element of insurance. However, as the text implies, guarantees that are combined with options for the policyholder are those, that are mostly relevant for systemic risk. Especially with regard to "other risks" it is important to establish mechanisms to on the one hand monitor developments and assess their potential systemic implications and on the other hand to also identify new topics.
7. Global Fed eration of Ins urance Associ ations	Global	No	**Answer:** General Comments: GFIA has always argued that traditional insurance is not systemically risky and that an entity-based assessment of systemic risk is inappropriate. The definition of systemic risk is critical to the determination of activities that can cause systemic risk. Therefore, GFIA encourages a narrow focus on those activities that could cause an "impairment of all or parts of the financial system" and could have "serious negative consequences for the real economy". GFIA notes that the IAIS proposes a new framework intending to combine three different approaches: i) an entity-based approach, ii) an activity-based approach (e.g. an aggregated data collection reflecting the insurance sector's risk per activity with a focus on liquidity risk) iii) a cross-sectorial approach based on the comparison of common indicators. GFIA would emphasise that extending some of the measures that currently only apply to G-SIIs, to a broader portion of the insurance sector means that the idea of proportionality and the consideration of cost and benefits aspects become crucial. The challenge is to define a concrete threshold to identify systemically risky activities that could lead to collective

			actions and therefore amplify shocks to the rest of the financial system. The threshold must be adequately calibrated to meet the materiality criterion. More specific information about the application of proportionality principles is needed in the consultation draft. GFIA takes the view that, at this stage, the scope of proposals is very unclear and that it is therefore not easy to determine which insurer may be subject to which policy measure. In considering the scope of the application of policy measures, the IAIS should distinguish between: i) those measures that are reflective of good practice, which should be approached in a proportionate manner given the nature of insurers' business and very low likelihood of potential contribution towards systemic risk (for example, managing counterparty exposures as part of ERM); and ii) those measures with more limited scope, such as resolution, which should only be applied where it can be demonstrated that there are material risks to the global financial system. GFIA understands the need for data to support an adequate and relevant supervisory process. But GFIA would point out that insurers already have to face very burdensome data collection exercises. Therefore, the IAIS should ensure that its data collection exercise is necessary, proportionate and appropriately justified. The ICS is incomplete and not fit-for-purpose in its current form, with significant further work needed before it could be considered "final". Given its preliminary nature, the IAIS should remove all references to the ICS from the Holistic Framework and the ICS should not be used as a basis for supervisory intervention until it is formally implemented as a group-wide PCR. Q1: GFIA understands the IAIS' efforts to evaluate systemic risk in the insurance sector. However, GFIA is of the view that there is still insufficient clarity on how systemic risk is generated by insurers and transmitted to the financial system or even how the definition of "systemic risk" can be operationalised for the insurance sector. In order to have a coherent framework, specificity and definition are needed around the scope of activities and risks that are potentially subject to systemic risk regulation. The IAIS should propose clear criteria for a risk manifestation to be considered "systemic" for the insurance industry. The challenge is not only to distinguish micro from macro risk, but also to assess which systemic (macro) risk is related to insurance. These elements should be better articulated before the holistic framework can provide a basis for the assessment and mitigation of systemic risk in the insurance sector. Extending some of the measures that currently only apply to G-SIIs, to a broader portion of the insurance sector means

			that the idea of proportionality and the consideration of cost and benefits aspects become crucial. The challenge is to define a concrete threshold to identify systemically risky activities that could lead to collective actions and therefore amplify material shocks to the rest of the financial system. The threshold must be adequately calibrated to meet the materiality criterion. Furthermore - supposing there is a residual gap - policy measures must be proportionate. That includes a strong focus on how existing policy measures and risk management practices reduce or even close the gap. The objectives of supervision are an adequate protection of policyholders and beneficiaries and the stability of financial system. Therefore, the holistic approach should focus on the stability of the global financial system. Lack of substitutability should be excluded from the sources of risks. The operation of an insurer in a specific market should not be considered as an activity of potential systemic risk to the financial system. Including these criteria might disincentivise product offerings in highly concentrated markets and lead to a restricted product range in terms of marine, aviation, export credit, catastrophe, mortgage and financial guarantee. In paragraph 34, it is noted that some products offered by insurers (which contain provisions whereby a policyholder can withdraw cash from the policy with little notice or penalty) contain high liquid liability; however, this description is too simplified and inappropriate since it does not properly take into account the reality of insurers' business. According to the IAIS' policy document "Systemic Risk from Insurance Product Features" released on 16 June 2016 states, in subsection 4.24, The liquidity of surrender value should be assessed in a holistic manner where due consideration is paid to broader aspects including purpose of the insurance contracts and substantial economic penalties embedded in high guaranteed rate contracts. The matrix of Table 5 in Annex 1 does not explicitly reflect such holistic assessment. In addition, the weightings are excessive. Moreover, as described in paragraph 34, it is possible that insurers face liquidity risk where they do not adequately match liquid liabilities with illiquid assets; however, this is not a source of systemic risk if insurers have invested sufficiently in liquid assets. It is noted in paragraph 37 that fixed benefit guarantees expose insurers to the macroeconomic exposure risk. GFIA would point out that the IAIS policy document "Activities-based Approach to Systemic Risk" released on 8 December 2017 states, in paragraph 50, "It is important to note that insurance guarantees are not inherently systemic and represent a fundamental aspect of insurance business model". In paragraph 39, the IAIS states that reinsurance contracts could be a source of counterparty exposure. GFIA would point out that IAIS concluded in its 2012 report "Reinsurance and financial stability" that traditional and finite reinsurance is unlikely to create systemic risk.

			Even though cyber risks can surely cause significant damages, GFIA does not see how this risk could be adequately quantified and it would also be difficult to quantify climate risk exposure. As emerging risks, there is currently no evidence that these can be considered systemic.
8. Institute of I nternational F inance	Global	No	**Answer:** General Comments on the Holistic Framework The Institute of International Finance (IIF) and its insurance members appreciate the opportunity to comment on the International Association of Insurance Supervisors' (IAIS) Public Consultation Document on the Holistic Framework for Systemic Risk in the Insurance Sector (the Holistic Framework) issued on November 14, 2018. The IIF and its members have commented on related materials, including in our February 15, 2018 response to the IAIS Public Consultation on an Activities-Based Approach to Systemic Risk. We appreciate the opportunities to comment as the Holistic Framework is being developed by the IAIS, including at the January 15, 2019 stakeholder meeting, and we look forward to continued opportunities to engage in dialogue with IAIS members on the Holistic Framework. The IIF and its members are committed to continuing to work constructively with the IAIS and its members as the Holistic Framework continues to be elaborated in a multi-year, multi-stage process. We acknowledge the important role of the IAIS in the development by international standard setters of a comprehensive approach to systemic risk in the insurance sector that recognizes cross-sectoral aspects of systemic risk assessment. The IAIS brings sector-specific regulatory and supervisory expertise to the cross-sectoral discussions of systemic risk at the Financial Stability Board (FSB) and we encourage the IAIS to continue this important dialogue with FSB members. We encourage the IAIS to participate in FSB committees and working groups tasked with assessing financial system vulnerabilities and in meetings of the other international financial services standard setters, including the Basel Committee on Banking Supervision (Basel Committee) and the International Organization of Securities Commissions, jurisdictional supervisors (including through the supervisory college mechanism), and ministries of finance and other authorities with responsibility for financial sector systemic risk policy. Through such participation, IAIS members can provide important insights to the FSB and other international and jurisdictional standard setters regarding the important risk absorbing and risk mitigating role of the insurance sector, the conservative insurance industry risk culture and sound risk management, the comprehensive supervisory approach at the individual insurer and insurance group levels, and, as a result, the relatively small systemic risk footprint of the sector when compared to other financial services sectors. Participation in these discussions would also enhance the cross-sectoral perspective of IAIS members, which would be beneficial in conducting global monitoring exercises. We appreciate the continued evolution of the IAIS' approach to assessing and mitigating potential systemic risk in the insurance sector, including the creation of the Holistic Framework. We encourage the IAIS to continue to refine its

			approach, building upon and in alignment with the Insurance Core Principles (ICPs) and ComFrame and, to the extent appropriate, integrating into the Holistic Framework, elements of the parallel work that is being conducted in many IAIS member jurisdictions to address macroprudential objectives and financial stability concerns. The Holistic Framework contains a number of less developed elements, or placeholders, that require continued refinement (e.g. the proposed liquidity and stress testing components). We would encourage the IAIS to use the time between November 2019, when the Holistic Framework is currently scheduled to be adopted, and November 2022, when the Holistic Framework is scheduled to be reviewed, to further refine the framework. We understand that additional clarification and refinement of the Holistic Framework will be communicated through Application Papers. We look forward to engaging constructively with the IAIS on the issues raised in those consultations. We support the IAIS' on-going movement towards an activities-based approach (ABA) and more absolute measures of risk. We believe that the transition towards greater reliance on an ABA represents a move towards a more effective method of preventing insurance sector risk exposures and vulnerabilities from propagating systemic risk to the global financial system or real economy. An ABA also addresses the flaws of the entity-based approach (EBA) and its attendant designations of insurers as systemically important, including the use of factors that may have an indirect or attenuated connection to systemic risk and the application of uniform weightings that may not be conducive to precise calibration given differences among insurers and insurance markets. In moving towards an ABA, the IAIS should clearly identify the linkages among activities and the potential for the propagation of systemic risk to the wider global financial system or real economy. Key Themes 1. We believe that the on-going transition towards greater reliance on an ABA represents a move towards a more effective method of preventing insurance sector risk exposures and vulnerabilities from propagating systemic risk to the global financial system or real economy. 2. The linkage between insurer risks and exposures and the potential material impact on the global financial system and real economy should be better articulated. 3. The proposed supervisory policy measures, the supervisory powers of intervention and data collections should be better aligned with the potential sources and transmission channels of systemic risk as well as with the overall supervisory objectives of the Holistic Framework.

			4. We agree with the IAIS' assessment that microprudential tools can play an important role in achieving macroprudential objectives in addition to their primary goal of protecting policyholders. 5. In designing and implementing policy measures, the IAIS should consider how the application of certain microprudential tools could serve to reduce macroprudential risk. The IAIS should consider additional macroprudential tools only to the extent that there is a gap in microprudential measures that cannot be filled with additional or expanded microprudential tools. In designing any necessary macroprudential measures, the interplay of microprudential and macroprudential tools should be assessed and care should be taken to avoid the unintended consequences of macroprudential measures on insurers and/or their policyholders. 6. In particular, the powers of intervention proposed in Section 3.5 may be beneficial in addressing problems at an individual insurer or group but could have negative unintended consequences if applied for macroprudential objectives. Supervisory powers of intervention should be viewed as extraordinary, far-reaching emergency measures to be applied in a limited and proportional manner to insurers conducting activities that are giving rise to systemic risk concerns. 7. We appreciate the IAIS' effort to enhance the cross-sectoral nature of its approach to insurance systemic risk analysis; however, we believe there is room for improvement and have some concrete suggestions for further enhancements and refinements to the IAIS' approach. 8. We encourage the IAIS not to use the insurance capital standard (ICS) as a monitoring and assessment element during the Monitoring Period, as it is still in development, has not been tested adequately, and, thus, is not yet fit for purpose. 9. Material changes to the ICS and robust ICS impact assessments are needed ahead of and during the five-year ICS monitoring period. This work is necessary to inform whether and how the ICS would fit into the Holistic Framework and how the ICS interacts with other IAIS and jurisdictional policy measures. 10. We welcome additional clarification from the IAIS on the application of the proportionality principle. The IIF believes the Holistic Framework represents the continued positive evolution of the IAIS' approach to systemic risk and we encourage continued development of this work. In particular, we support the IAIS' ongoing shift towards an ABA and more absolute measures of risk, as they provide more effective methods of assessing and mitigating insurance

			sector risk exposures and vulnerabilities from propagating systemic risk to the global financial system or real economy. As the IIF has previously noted, we believe that an appropriately designed ABA would address many of the flaws of the EBA. As noted in Paragraphs 21 and 49 of the Holistic Framework, the FSB, the International Monetary Fund and the Bank for International Settlements define systemic risk as the risk of widespread disruption to the provision of financial services that is caused by an impairment of all or parts of the financial system, and which can cause serious negative consequences for the real economy. Fundamental to the definition is the notion of negative externalities from a disruption or failure in a financial institution, market or instrument. See IMF-FSB-BIS Elements of Effective Macroprudential Policies, Lessons from International Experience, 31 August 2016. Generally, insurers act as a source of stability to financial markets by serving as a stable source of investment funding and by assuming risks that consumers otherwise would bear. While insurers may be impacted by extreme market conditions, their stable business model and prudent risk management reduce the likelihood that they would propagate systemic risk to the broader financial markets or the real economy. The IAIS should focus on the risk exposures and activities of insurers that have the greatest potential to propagate systemic risk to the wider global financial system or to the real economy through the asset liquidation and exposure transmission channels. This should be done keeping in mind that liquidity and interconnectedness are two key pillars that are essential to the financial system as a whole and through which insurers (and other actors) are able to contribute positively to the functioning of the financial system. The IAIS should further articulate the linkages among these risks and exposures and the impact on the global financial system and real economy (for example, in Figure 1). Supervisory policy measures, the supervisory powers of intervention and data collection efforts would benefit from a closer alignment with the sources and transmission channels of insurance systemic risk that the measures are intended to address, as well as with the overall supervisory objectives of the Holistic Framework. This also applies to consideration of how microprudential measures are envisioned to help address macroprudential supervisory objectives. Enhancing these linkages would greatly enhance transparency and facilitate stakeholder input. We agree with the IAIS' assessment that microprudential tools can play an important role in achieving macroprudential objectives in addition to their primary goal of protecting policyholders. In analyzing the usefulness of microprudential tools in meeting macroprudential objectives, the IAIS could consider and reference various jurisdictional efforts to assess the value and effectiveness of microprudential tools in accomplishing macroprudential goals. In designing and implementing policy measures, the IAIS should consider how the application of certain microprudential tools could serve to reduce macroprudential risk and should adopt additional macroprudential tools only to the extent that there is a gap in microprudential measures that cannot be filled with additional or expanded microprudential tools.

			The IAIS should conduct a refined analysis of each of the macroprudential supervisory tools and powers of intervention to determine how each meets the objectives of systemic risk mitigation and avoids unintended consequences and negative impacts on insurers and their policyholders. In particular, the powers of intervention proposed in Section 3.5 may be beneficial in addressing problems at an individual insurer or group but could have negative unintended consequences if applied to address macroprudential objectives and financial stability. We encourage the IAIS to allow jurisdictional and group-wide supervisors discretion to apply the important principle of proportionality, as these supervisors are best placed to understand the risk profiles of the activities conducted by companies under their jurisdiction and to weigh the relative merits of various tools to mitigate systemic risk in their markets. We would welcome additional clarification from the IAIS on the application of the proportionality principle. We appreciate the IAIS' effort to enhance the cross-sectoral nature of its approach to insurance systemic risk analysis; however, we believe there is room for improvement and we have some concrete suggestions for further enhancements and refinements to the IAIS' approach. It is important to consider the likelihood of systemic risk arising from the insurance sector, compared to the likelihood of systemic risk arising from other financial services sectors, and to tailor the policy measures accordingly. We appreciate the IAIS' focus on considering the potential systemic risk of insurers relative to other parts of the financial system, notably the banking sector (Paragraph 1). However, we would encourage further refinements to the indicators, focusing on indicators that are fit for purpose for the insurance business model, rather than on consistency with the Basel Committee's banking indicators, which reflect a very different business model and the banking sector's relatively larger systemic risk footprint. Comments Related to Sources of Insurance Systemic Risk Paragraph 37 of the Holistic Framework states that macroeconomic exposure in the insurance sector can accumulate through some types of insurance liabilities, including savings-oriented products, financial guarantee products, or products embedding features that automatically trigger asset sales, or as a result of insurers having significant unmatched guarantees. We acknowledge the need for careful risk management of these exposures and the importance of reviewing firms' risk management policies, practices and controls through the microprudential supervisory process, but would caution against an overly reductive and product-driven macroprudential treatment of long-term products and investments that does not recognize differences in product characteristics and the ability of firms to mitigate risks through sound risk management policies, practices and controls. The IAIS should clearly demonstrate that the nature and materiality of the potential impact on financial stability from specific insurance sector exposures or activities justifies the imposition of a particular macroprudential policy measure or power of intervention. When considering sources of insurance systemic risk, it is important to recognize that insurers are, in large part, the

			recipients of in-bound risks and exposures from other parts of the global financial system or real economy. Insurers generally act as shock absorbers, rather than transmitters, of systemic risk. Insurance supervisors should consider macroprudential interventions only where insurance exposures or activities have the clear potential to transmit material systemic risk to the broader financial system or real economy. In assessing the materiality of a particular source of insurance systemic risk, due consideration should be given to how a particular risk is managed actively in the insurance sector or by a particular insurer or insurance group. As the IAIS is well aware, insurers play a critical role in the support of economic growth and sustainability through the provision of long-term products and the advancement of long-term investment, including infrastructure investment. The IAIS should be mindful of unintended consequences that may disincent socially desirable products and transfer long-term risks to individuals poorly suited to mitigate those risks. A well designed and articulated Holistic Framework should allow insurers to manage their risks in a confident and prudent manner, allowing them to mobilize investment resources into the real economy, consistent with their role as long-term investors and promoters of sustainable economic growth. Paragraphs 45 and 48 reference cyber and climate risks, respectively. While we encourage the IAIS to continue its work with respect to these two important risks and their linkages to financial and systemic risk, we note that these risks do not emanate from the insurance sector or from the activities of insurers. Given that the purpose of the Holistic Framework is to address systemic risk arising from both the collective activities/exposures of insurers at a sector-wide level as well as from the distress or disorderly failure of individual insurers (see Paragraph 1), the Holistic Framework may not be the ideal vehicle for addressing these in-bound risks to insurers. We appreciate the comments made at the January 15, 2019 stakeholder meeting that specific measures are not contemplated at this time with respect to these risks, in recognition of the need to gather data and conduct further analysis. We look forward to future opportunities to consult on these emerging risks and respectfully suggest that they may be best addressed outside of the Holistic Framework. We appreciate the recognition in Paragraph 58 that "liquidity risk may become a systemic concern if the sudden liquidation of assets happens on a scale that exacerbates market movements and contributes to asset price volatility." We would welcome similar language throughout the Holistic Framework, emphasizing the need to consider materiality in the design of policy responses to potential systemic risk.
9. International Actuarial Association	International	No	**Answer:** The listing of exposures would benefit by framing them in terms of the time frame of the various risks and an expansion and clarification that the traditional focus on systemic risk has arisen from a uniquely banking perspective. That is, to look at systemic risk as driven by liquidity issues, capital issues and long term, incremental issues. In addition, it would be helpful to clarify that systemic risk is also the mirror of systemic opportunity. Traditionally banks have been the opportunity/channel for liquidity needs. Banks and insurers both have been a source of capital for other institutions and insurance has been an effective means of providing stability so that long term commitments can be sustained,

			whether at an individual or corporate level. Including this framing then allows a more precise and clearer linking of the possible needed powers and/or mitigants to address the systemic risk side of these functions. It also clarifies a valuable role for the IAIS and its supervisors to play in cross-sectoral discussions of systemic risk. Insurance has always had a better understanding of the principles and issues related to the long term sustainability of risk. Thus, while these longer term issues may not have the immediacy of liquidity events, their impact on insurers may be just as important. Some examples of these long term issues may include longevity trends, options for addressing climate change, the lack of catastrophe coverages in many parts of the world, hampering growth and sustainable development and the uncertainty of how to address cyber risk. Because these events include the mitigant of a longer time horizon to address them, they are often excluded from consideration as systemic risks, but this is precisely why the IAIS should contribute its expertise and role to advocate for and highlight ways to prevent, identify and mitigate the important systemic issues on these topics with solutions broader than the historical focus on liquidity and capital. As to the items listed, for the most part, they are appropriate. However, paragraphs 38-41 under Counterparty Exposure fail to mention the role played by credit insurance and surety bond providers in protecting the real economy in certain jurisdictions. The degree to which these coverages have the potential to pose systemic risk to the real economy can vary materially by jurisdiction based on the importance of that cover to a particular economic activity. The potential for systemic risk in a jurisdiction also can be affected by the concentration of such coverage within a small number of providers and ease of entry (or lack thereof) for new providers. In addition, the IAA agrees that further investigation is needed before concluding on whether climate risk is potentially a source of systemic risk. One view is that climate risk may not manifest itself fast enough for either physical risks or asset risks. With regard to physical risks, the ability to re-underwrite and re-price property insurance prices each year, plus the ability to diversify the risk of cat losses in a particular year via geographic spread and reinsurance (and ILS) keep this from being a cause of systemic risk for the insurance industry. There is little to no doubt that climate risk is a medium to long term concern, but the timeframe for this could be accelerated by, for example, sharp adjustments in markets due to abrupt government actions prompting a rapid adjustment on carbon policy, such as a tax or shift to/from renewables. Whilst financial markets should be flexible enough to adjust to things that take years to develop, sudden changes may be more likely to generate systemic impacts.
10. General Insurance Association of Japan	Japan	No	**Answer:** Whether or not a certain exposure can be a source of systemic risk should be judged from the viewpoint of whether it can lead to the transmission channels stated in section 2.3, taking into consideration its size and how it locates at the global level. The results of a series of considerations for each element from this point of view are given below:

			As for substitutability, considering the fact that underwriters can be replaced easily in highly competitive general insurance markets, the probability of a lack of substitutability is low, and does not lead to "critical function", one of the main transmission channels. Therefore, lack of substitutability is inappropriate as a key exposure. As for cyber risks, as pointed out in the document, although cyber security incidents can cause leakage, falsification, or loss of data, and a great amount of insurance payments, its risk level is unlikely to be so high as to lead to a financial crisis because data is not owned only by insurers. Moreover, it can be restored plus the volume of cyber insurance underwriting is still at an early/limited stage according to surveys by such as Lloyd´s. Therefore, cyber risk is less likely to lead to the transmission channel stated in section 2.3, and it is inappropriate to think of it as a key exposure at this point. As for climate change, while its physical impact is being observed as a long-term trend in units of several decades, it is quite unlikely to overly accumulate exposure caused by a wide range of deficiency reserves and insufficient pricing of premiums. This is because insurers can review underwriting terms related to climate change risk at the time of contract renewal. Also, claims are sequentially paid by each contract when assessment of damages is completed, and there is sufficient time between the occurrence of accidents and claim payments. Moreover, there is no need to dump assets to ensure liquidity. On the other hand, as for transition risks of climate change, there can be cases where insurers reduce or stop underwriting insurance related to carbon or sell their relevant assets. However, neither lead to systemic risk because reducing or stopping underwriting does not lead to systemic risk. Additionally, selling relevant assets does not lead to systemic risk unless a number of insurers dump them at the same time. Therefore, climate change is not a key exposure.
11. The Life I nsurance Ass ociation of Ja pan	Japan	No	**Answer:** The LIAJ believes that the list of key exposures might be inappropriate. We welcome that it is mentioned asset liquidation regarding liquidity risk however we also suggest some modifications to the list, for example, to make clear that the fixed benefit guarantees are not a source of systemic risk in the same way. We discuss more specific answers in each question. These might not direct answers for Question 1, but we highlight the following points for consideration. General comments While we agree to consider the framework for systemic risk with a view of prevention of financial crises, we ask the IAIS to properly take into account following points that are not appropriately discussed in the consultation paper. In our understanding, in comparison with the banking sector, which provides critical function in the financial system such as settlement function through interconnected network of financial institutions, main function of the insurance sector is generally to underwrite insurance risk which is not correlated to financial market risk and systemic risk intrinsic to the

			insurance sector has relatively less significance; therefore the policy measures applied to the insurance sector should be eased proportionally. It might be overregulation if policy measures of the same kind and level as those applied to the existing G-SIIs for risk supervision of entity's bankruptcy are applied under the holistic framework. When applying policy measures, as stated in paragraph 66, we strongly note that it should not be applied extensively beyond its necessity, but it should be applied only if policy measures are commensurate with risks. Traditionally, insurers have provided stability and predictability of future cash flows by undertaking certain parts of risk on behalf of individuals. This makes it possible for individuals to make their stable future life expectations. As a result, a virtuous cycle that the excessive savings by individuals are avoided and active consumption behaviors are created. If insurers find it difficult to undertake these risk under the overregulation, systemic risk arising from insurers might be avoided, however as a consequence, the risk is just transferred to other entities. It does not lead to the reduction of the total systemic risk as a whole. Instead, insurers hold a lot of illiquid liabilities, so when compared with other entities, it is unlikely that sudden trading behavior by insurers will occur even under crisis situations. In other words, underwriting risk by insurers has an aspect that stabilizes the financial system. In particular, as a result of the excessive regulations on insurers and other financial institutions, other entities undertake risk to the financial market, it should be noted that the possibility of a financial crisis rises due to oversensitive sales behaviors against market fluctuations. Liquidity risk In paragraph 34, it is stated that some products offered by insurers(which contain provisions whereby a policyholder can withdraw cash from the policy with little notice or penalty) contain high liquid liability; however, this description is too simplified and inappropriate since it does not properly take into account the reality of insurers' business. According to the IAIS' policy document "Systemic Risk from Insurance Product Features" released on 16 June 2016 states, in subsection 4.24, the liquidity of surrender value should be assessed in a holistic manner where due consideration is paid to broader aspects including the purpose of the insurance contracts, substantial economic penalties embedded in high guaranteed rate contracts, the feature of retail and non-retail and policyholder protection schemes and mechanisms. The matrix of Table 5 in Annex 1 does not explicitly reflect such holistic assessment. In addition, the rationale for the weightings in Table 5 is not clear and some of the proposed weights could give rise to significant cliff effects. Therefore it is not appropriate as an important indicator. If an insurers do not match liquid liabilities with sufficient liquid assets; it might have liquidity risk. However, if an insurance company holds sufficient liquid assets, it would not be a source of systemic risk. Therefore it should be evaluated taking into consideration the liquidity of the asset side. In Japan, the legal framework that provides for liquidity support by the Deposit Insurance Corporation of Japan to the

			broader financial sector including insurers subject to the determination that the financial system including the financial markets is at the risk of significant disruption in order to avoid such disruption. In assessing liquidity risk, due consideration should be paid to such framework contributing to suppressing systemic risk. Macroeconomic exposure risk It is stated in paragraph 37 that fixed benefit guarantees expose insurers to the macroeconomic exposure risk. The IAIS policy document "Systemic Risk from Insurance Product Features" released on 16 June 2016 (hereinafter "the policy document") provides, in subsections 4.6, with regard to the extent to which a benefit feature could expose the insurer to macroeconomic risk, two steps: (i) the step to identify whether a material benefit guarantee applies, thereby transferring a risk from the policyholder to the insurer, and; (ii) the step to determine whether the insurer is able to invest the assets backing the guarantee in a manner that matches the benefit cash-flows of the applicable guarantee. As provided in subsection 4.12 of the policy document: insurers usually have the capacity to match cash-flow to the guarantees they offer and would not satisfy the second step above. In terms of duration mismatch, guarantees could pose a risk when insurers allow cash-flow mismatch by; however the risk posed actually is the risk of yield fluctuation in the reinvestment phase in the future. However, such risk can be contained by applying countermeasures in medium to the longer timeframe and accordingly it is not appropriate to identify fixed benefit guarantees through guarantees written as a source of systemic risk. It should be taken into consideration as the IAIS policy document "Activities-based Approach to Systemic Risk" released on 8 December 2017 states, in paragraph 50, "It is important to note that insurance guarantees are not inherently systemic and represent a fundamental aspect of insurance business model" It is understandable to recognize the potential loss caused by fixed benefit guarantee amid a downward trend for interest rate. However, it is not inherent to the product feature of fixed benefit guarantee; it rather is created by offering higher guaranteed rate deviated from the market price or risky speculative investment; therefore, such loss can be avoided should governance arrangement function effectively. As such, this is a matter of micro-prudential supervision, and fixed benefit guarantee should not be considered as a potential source of systemic risk. In terms of the Japanese experience, as provided in examples in practice, Japan witnessed seven small- or mid-sized insurers' insolvency cases in the period from 1997 to 2001. Most of those insurers had written policies with high guaranteed rate as many as to wipe-out returns on assets; therefore, they plunged deeper into risky investment in order to gain excess return. This is not inherent to the product feature of fixed benefit guarantee; it rather is a result of poor risk management and governance, and it is necessary to be noted that those seven insurers could not originate systemic risk. Even when fixed benefit guarantee is included in the scope of policy measures, systemic risk can be contained through micro-prudential supervision and PPS. Where jurisdictions have in place sound policyholder protection scheme, such scheme serves to dis-incentivize

			policyholders to surrender; as a result, PPS could contribute to mitigating risk contagion through macroeconomic exposure. It deserves careful attention that sound PPS could contribute to mitigating systemic risk. Long-term fixed guarantee rate offered in fixed benefit guarantee is the core to the insurance business, and it should be noted that restricting freedom to decide guaranteed rate that are consistent with market trend would involve potential to make it difficult for insurers to fulfill its expected role in the society. Other sources of systemic risk In the holistic framework, even cyber risks and climate risk that are not originated from insurance sector and whole financial sectors, are included in the sources of systemic risk. However it possibly results in too broad scope and needs to carefully consider their calculating measures or treatments. Therefore, at present, these risks should not be treated equally to the other risks such as liquidity risk. For product mispricing in the approach to the new insurance business, where the legal framework has in place a requirement for product approval by the financial supervisory authority, such requirement should be assessed to be effective for the purpose of avoiding mispricing; therefore, it should be taken into consideration for further discussion.
12. American Council of Lif e Insurers	Office of General Counsel	No	**Answer:** ACLI believes that liquidity risk and counterparty exposure are appropriate potential sources of systemic risk in the insurance sector and could be considered "key exposures". ACLI understands the IAIS project as a way to identify and mitigate macroeconomic risk, but we would strongly object to an approach that leads to a focus on a particular insurance product. The Holistic Framework should instead focus on activities that might give rise to systemic risk coupled with a transmission channel that manifest that risk to the broader economy. ACLI also believes that the "other" sources of systemic risk identified as including cyber risk and climate risk should not be considered key exposures. These are important issues that supervisors can and are addressing through means other than systemic risk regulation.
13. Swiss Re	Switzerland	No	**Answer:** This is a joint submission on behalf of Swiss Re and Zurich. Swiss Re and Zurich thank the IAIS for the opportunity to comment on the holistic framework for systemic risk ("systemic risk framework", thereafter) in the insurance sector. We are of the view that the latest systemic risk framework proposed by the IAIS reflects a commendable degree of maturity in the thinking about systemic risks and their possible manifestation in the insurance sector. At the same time, numerous aspects of the framework need to be refined, reworked or finalized.

			We believe that the exposures are generally correct. We would propose to generalize "counterparty exposure" into an "asset concentration" exposure. Rationale: the nature of these exposures may become systemic only when insurers have common asset concentrations (including, but not limited to specific counterparties) that are sufficient to cause their widespread failure. With regard to substitutability (the lack thereof) as a source of systemic risk, we point out that, in a properly functioning market, insurance services are readily substitutable. We propose that the IAIS explicitly recognizes "barriers to entry and exit" (William J. Baumol, John C. Panzar, & Robert D. Willig (1982). Contestable Markets and the Theory of Industry Structure) as a condition for lack of substitutability to become a source of systemic risk. Rationale: absent significant market entry (and exit) barriers, it is reasonable to assume that the market will function when a (major) insurance provider fails. With regard to "other exposures", we realize that IAIS seeks to retain a category for capturing potential "other" risks as the understanding of systemic risk in insurance is refined. We understand IAIS´ approach, but we urge the IAIS to exercise caution in reaching premature conclusions about "other" risk types. This holds especially for cyber risk and climate exposures. While we generally agree with IAIS´ framework, we remain convinced that insurers cause systemic risk only if they engage in specific activities. Insurers manage their insurance assets and insurance liabilities congruently, both with a consideration of currency and duration; in addition, in all the jurisdictions we operate, asset-liability management is a cornerstone of regulation, supervision and, last but not least, good-practice. Nonetheless, certain capital market and other non-insurance activities may entail maturity transformation. To be effective, the systemic risk framework must monitor and mitigate the risks caused by such specific activities. It is therefore imperative that, in a next step, the IAIS precisely defines the systemically risky activities. Policy measures should target the underlying activity to be maximally effective and avoid unintended consequences.
14. Zurich Insurance Company Ltd.	Switzerland	No	**Answer:** Swiss Re and Zurich thank the IAIS for the opportunity to comment on the holistic framework for systemic risk in the insurance sector. We are of the view that the latest systemic risk framework proposed by the IAIS reflects a commendable degree of maturity in the thinking about systemic risks and their possible manifestation in the insurance sector. At the same time, numerous aspects of the framework need to be refined, reworked or finalized. For our joint comments kindly refer to the submission by Swiss Re on behalf of Swiss Re and Zurich.
15. Aegon NV	The Netherlands	No	**Answer:** GENERAL COMMENTS Aegon NV welcomes the opportunity to respond to the IAIS Public Consultation Document, Holistic Framework for Systemic Risk in the Insurance Sector. Aegon's purpose is to help people achieve a lifetime of financial security. We

			fulfill this purpose by providing insurance protection, lifetime income, and other financial services products to customers across the globe. Based in the Netherlands, Aegon's largest operations are in the United States, where we operate under the Transamerica brand. We also have significant operations in Europe and Asia. Aegon and other insurers offer products that allow risks to be transferred from customers to financial service providers who can professionally pool and manage that risk. We believe that insurance plays a critical role in support of financial stability, economic growth and sustainability. By nature, insurance is risk mitigating both on a micro and a macroeconomic level. The insurance industry is an important part of the global financial system, and the global financial system also impacts the insurance industry. Consequently, Aegon supports the premise of the holistic framework, namely that, as public policy, systemic risk in the insurance sector is better addressed a proportionate approach targeted to a broader application of the insurance sector rather than a binary approach targeted to a small group of insurers. At the same time, we believe that efforts to address systemic risk should take account of the beneficial role that the industry plays and should not create disincentives for the industry to fulfill its broader social mission. In our review of the paper, we have identified a number of elements that we support, including the following: 1. We support the proposed focus on liquidity risk, macroeconomic exposure, and counterparty exposure and believe that these can form the underpinning for a sound framework for the supervision of systemic risk in the insurance sector. 2. We support the global monitoring exercise. Although we believe the scoring and ranking of companies should be discontinued entirely, we support the collection and analysis of data from the largest individual global insurers. We also support, in principle, data collection from national supervisors on an aggregated basis. We further support the proposed cross-sectoral analysis and encourage continued development of this. 3. We support a modest strengthening of measures that would apply to individual insurers. For example, we support a broader application of liquidity plans and selected enhancements of requirements for ERM and ORSA. We also support enhanced crisis tools such as crisis management groups, recovery planning, and resolution planning, as we believe that effective crisis management tools can mitigate the need to contemplate policy measures for every imaginable future crisis. We support the implementation of these measures through the ICPs and ComFrame. 4. We support the proposed elimination of an annual G-SII identification exercise. We regard this step as the logical outcome of the holistic approach. In addition, history has shown that this process is flawed and overly political. Although we observe that the proposal retains the G-SII data collection and scoring, we believe that the cessation of G-SII identification can and should lead to the end of resources devoted to scoring and ranking individual firms.

			5. Although, as noted above, we would prefer to see the scoring of individual insurers discontinued entirely, if scoring is to remain, we consider the suggested move to an absolute scoring approach to be a welcome and overdue change. Aegon has raised concerns about the relative ranking approach in previous IAIS consultations. 6. We place a high importance on consistent implementation of the holistic framework across jurisdictions (paragraph 175), in order to achieve (1) maximum financial stability benefit, (2) easier compliance for cross-border groups, and (3) level playing field. Although Aegon supports significant elements of the holistic framework, we believe that several refinements are warranted, including the following: 1. Criteria should be applied to better define the scope of activities and risks In order to have a coherent framework, specificity and definition are needed around the scope of activities and risks that are potentially subject to systemic risk regulation. Rather than defining a broad range of potential sources of systemic risk, the IAIS should propose clear criteria for a risk manifestation to be considered "systemic" for the insurance industry. We believe the framework should address true "financial meltdown" circumstances, such as the 2008 crisis. Accordingly, as an example of such criteria, we have previously recommended that systemic risk regulation should address activities and risks which focus on the possibility of (a) the near-simultaneous failure or distress of multiple institutions (b) due to circumstances related to financial markets which (c) are transmitted through the financial system. Criteria such as these would lead to more consistent and coherent approach to systemic risk supervision. For example, we observe that the proposed policy measures would do little to address cyber risk or climate risk. Of greater concern to us, however, is the potential interaction of slowly manifesting and non-financial sources of systemic risk with the proposed supervisory powers of intervention. Aegon can support the proposed expansion of supervisory powers that would apply in a true emergency, a once-in-a-generation or once-in-a-lifetime event. We would be very concerned if supervisors were to be able to take drastic unilateral action simply by declaring a crisis involving, for example, "hot topic" risks or slowly manifesting risks such as low interest rate risk, cyber risk, or climate risk. If the scope of the holistic framework is potentially broad as proposed, the powers of supervisory intervention for systemic risk-related reasons should be constrained. 2. The scope and breadth of stress testing should be refined Aegon can support some form of stress testing within the holistic framework. The consultation document, however, appears to propose a broad array of stress testing involving as many as nine different regimes. The majority of these

			regimes would be either run or designed by supervisors. Designing, implementing, and maintaining this scope would require a vast resource commitment from both supervisors and insurers. Considering the high costs, the benefits to systemic risk supervision of each framework should be well-established. Within the holistic framework, we can support a form of sector-wide, macroprudential stress testing that is intended to assess the resilience of the sector a whole. We can also support requirements for stress testing within a company's enterprise risk management. However we oppose supervisor-prescribed microprudential stress testing on individual companies that can have the practical effect of creating an additional binding standard, perhaps indirectly through forced public disclosure. We are also opposed to capital stress testing approaches that involve calculating a post-stress solvency ratio, leading to an implicit requirement to hold capital to survive a stress on a stress. We also believe that stress testing has some relevance for capital and liquidity but is much less meaningful for counterparty exposure. While we support counterparty reporting requirements and internal exposure limits, counterparty stress testing, as stress testing is commonly understood, is uncommon, and we suspect that it may provide little value. Finally, liquidity risk analysis is inherently a "micro" issue and it is not necessarily clear whether meaningful liquidity analysis can be performed at an industry level. In summary, we do not support any form of prescribed individual company stress testing. We support requirements for company-developed ERM-related stress testing for macroeconomic exposure and liquidity. We support industry-wide stress testing for macroeconomic exposure, but the merits of industry-wide liquidity stress testing are not clear. Considering the resource expenditure, we encourage supervisors to be confident of the merits of each stress testing regime before including it in the holistic framework. 3. Certain liquidity-related policy measures should be reconsidered We support the focus on liquidity within the holistic framework policy measures. Specifically, we support the proposed liquidity plan and believe that such plans should be required of all significant insurers. We also support liquidity stress testing. We have two significant concerns, however. First, we urge caution around the proposed requirements for public disclosure. Liquidity information could easily be subject to misinterpretation by the general public. In a crisis, misinterpreted quantitative liquidity information could undermine confidence, foster mass withdrawals, and exacerbate a crisis. We encourage the IAIS to reconsider this part of the framework.

			For similar reasons we hesitate to support the development of a liquidity ratio. Given the expansive range of liquidity characteristics within insurance liabilities, a liquidity ratio runs the risk of being overly simplistic and misleading. Even as a non-binding monitoring tool, the existence of a liquidity ratio would effectively require companies to manage to the ratio, potentially resulting in herding behavior, which itself may propagate systemic risk. 4. The ICS should not be part of the holistic framework We acknowledge that the IAIS appears to propose to use the ICS as a measurement of macroeconomic exposure, not as a binding standard. However, the long-term viability of the ICS as a potential global risk metric is problematic. The 2017 Kuala Lumpur agreement indicates that none of the relevant authorities in the United States intend to adopt the ICS as developed by the IAIS, effectively confirming that a truly global insurance capital standard is not politically achievable at this time. 5. The improvements to the scoring methodology are welcome, but flaws still exist Although we consider most of the proposed changes to the G-SII scoring methodology to be improvements, we continue to believe that the scoring methodology does not provide a valid basis for preventive or corrective supervisory measures for reasons that include the following: a. The framework continues to be flawed by taking a non-holistic view of liquidity risk (i.e. illiquid assets and liquid liabilities are separately assessed). b. It appears that the framework could be double-counting OTC derivatives by including them in both the intrafinancial assets and liabilities category and within the derivatives category. c. Although we agree that reinsurance ceded leads to interconnectedness, we are concerned that the scoring methodology can effectively create a disincentive to mitigate risk through reinsurance or hedging. Spreading of risk should be considered a virtuous activity. d. We believe that an exclusive focus on OTC derivatives overshoots the mark. We can understand some degree of increased focus on OTC derivatives relative to centrally cleared derivatives, we do not believe that central clearing cures all potential systemic risk concerns. We are also concerned about disparate market impacts. In the detailed questions, we have responded to the questions of greatest importance to us. We hope our comments are useful and look forward to engaging further on this topic.

			RESPONSE TO Q1 In order to have a coherent framework, specificity and definition are needed around the scope of activities and risks that are potentially subject to systemic risk regulation. Rather than defining a broad range of potential sources of systemic risk, the IAIS should propose clear criteria for a risk manifestation to be considered "systemic" for the insurance industry. We believe the framework should address true "financial meltdown" circumstances, such as the 2008 crisis. Accordingly, as an example of such criteria, we have previously recommended that systemic risk regulation should address activities and risks which focus on the possibility of (a) the near-simultaneous failure or distress of multiple institutions (b) due to circumstances related to financial markets which (c) are transmitted through the financial system. Criteria such as these would lead to more consistent and coherent approach to systemic risk supervision. For example, we observe that the proposed policy measures would do little to address cyber risk or climate risk. Of greater concern to us, however, is the potential interaction of slowly manifesting and non-financial sources of systemic risk with the proposed supervisory powers of intervention. Aegon can support the proposed expansion of supervisory powers that would apply in a true emergency, a once-in-a-generation or once-in-a-lifetime event. We would be very concerned if supervisors were to be able to take drastic unilateral action simply by declaring a crisis involving, for example, "hot topic" risks or slowly manifesting risks such as low interest rate risk, cyber risk, or climate risk. If the scope of the holistic framework is potentially broad as proposed, the powers of supervisory intervention for systemic risk-related reasons should be constrained. In addition, we believe that the continued emphasis on "significant unmatched guarantees" (paragraph 37) for macroeconomic exposure is misguided. In our response to the previous consultation on the activities-based approach, we noted that this overlooks the potential impact of a significant credit event that could impair institutions that are substantially cash flow matched. Macroeconomic risk should not be limited to equity and interest rate risk but should also encompass credit, sovereign, and currency risk.
16. Lloyd's of London	UK	No	**Answer:** We think that the list needs further consideration. The IAIS has already produced two authoritative studies of systemic risk and insurance: "Insurance and Financial Stability" in November 2011 and "Reinsurance and Financial Stability" in July 2012. We agree with the conclusions of those studies, that insurance and reinsurance are unlikely to create systemic issues if market participants do not engage in non-traditional and non-insurance activities. Section 2 of the Consultation Document should make much more use of these existing studies. Its assessment of systemic risk follows templates laid down for banking activities, but it pays insufficient attention to the significant

			differences between business models in the insurance and the banking sectors. Those differences are described in the earlier IAIS studies. Work on systemic risk was initiated by the G20 and the FSB in response to the international financial crisis of 2007-8. It was linked to the identified problem of entities deemed "too big to fail" and concentrated on systemic risk at the global level - reasonably so in view of the scale of the financial crisis. However, it appears that the IAIS's proposals for a holistic framework for systemic risk in the insurance sector no longer focus on global systemic risk but target systemic risk at any level. This is an important development. It is unclear what has prompted it, as it is hard to think of any recent local or national systemic problems, least of all ones originating in the insurance sector. Nor is it obvious that existing micro-prudential measures are inadequate to deal with systemic risk below the global level. If this is not the intention - and the Document is ambiguous in places - the continued focus on global systemic risk needs to be much clearer. This will have consequences for the scope of the framework. It appears that the IAIS's holistic framework will entail extending the application of supervisory measures intended for global systemically important insurers (G-SIIs) to a much wider set of insurance undertakings. We support the suggestion in the Document that the annual identification of G-SIIs be discontinued, as we have reservations over whether this exercise is an effective response to global systemic risk. However, we are not convinced that the wider application of the proposed supervisory measures is much better. In this context, the downplaying of "size" as a source of risk is significant, as this is a key indicator of systemic risk under the existing G-SII methodology. The October 2009 FSB/IMF/BIS Guidance to Assess the Systemic Importance of Financial Institutions, Markets and Instruments says that "The main criteria for assessing systemic importance relates to their potential to have a large negative impact on the financial system and the real economy" (paragraph 11) and "The link between size and systemic importance in the case of markets is analogous to that in the case for institutions" (paragraph 17). Section 2 briefly mentions in paragraph 31 that size and global activity are "risk amplifiers" but the overall analysis does not attach any significance to this assertion. As the 2009 Guidance points out, size and scale are closely tied to systemic risk We have reservations about the inclusion of "counterparty exposure" and "lack of substitutability" in the list of exposures potentially leading to systemic impact. In the case of counterparty exposure, paragraph 39 gives "reinsurance contracts" as an example of this risk and cites in a footnote the IAIS paper on reinsurance. It does not quote that paper's important provisos, including paragraph 17, which says: "In general, the insurance market does not contain the feedback mechanisms that would make it fully interconnected and therefore prone to potentially systemic events akin to the systemic events observed in the interbank market…the potential for systemic events to develop within such a structure is limited". In relation to substitutability, the 2011 paper concluded that "insurance markets tend to be competitive" and that substitutability "does not appear to be an issue in most national insurance markets, and probably even less so in global

			markets" (paragraph 43). The diagram on page 21 singles out marine and aviation insurance as "illustrative examples" of substitutability, but these are highly competitive classes with a multitude of providers. If the IAIS believes that there is a problem of "high supplier concentration", it needs to provide evidence of this. It is conceivable that the actions of a number of insurers - none of which qualify as a G-SII - could collectively give rise to systemic risk, but this needs to be given careful thought and examples of when this has happened in practice identified, as otherwise there is a risk of supervisors taking a "safety first" approach, of designing and applying supervisory measures to address theoretical risks that are actually quite implausible.
17. Association of British Insurers	United Kingdom	No	**Answer:** In principle, the ABI believes that the IAIS's proposed holistic framework may provide a basis for the assessment and mitigation of systemic risk in the insurance sector; however, we also believe that it is essential for the IAIS to take a step back and articulate in which ways insurers may be systemic. A well-articulated and designed "holistic" framework should allow insurers to manage their risks in a confident and prudent manner, allowing them to mobilise investment resources into the real economy. Insurers play a fundamental role in long-term investment, which is key to the promotion of economic growth. The ABI sees the move away from entity-based designations and the move towards more absolute measures as positive developments. We also support the IAIS's proposals to ensure a globally consistent application of policy measures. However, there are a number of areas covered in the consultation paper where further clarity or development is required. We are unconvinced by the argument for systemic risk stemming from a lack of substitutability; we see this predominantly as a competition issue. Similarly, we do not consider cyber risk to be any more systemic than any natural catastrophe risk.
18. Chubb	United States	No	**Answer:** The list of key exposures is not appropriate as it is more pertinent to the banking industry and not to the non-life insurance industry. The Public Consultation on the Holistic Framework for Systemic Risk in the Insurance Sector (Consultation) does not reflect the well-documented reality that traditional insurance - particularly non-life insurance - is not systemically risky. The Consultation's definition of "systemic risk" is "risk of disruption to financial services that is caused by an impairment of all or parts of the financial system and has the potential to have serious negative consequences for the real economy." This definition should present a high bar for inclusion in any systemic risk analysis and should serve to eliminate firms that primarily offer non-life products. The reason for this is that non-life insurance products do not present a "run on the bank" scenario like banks. Claims must be submitted to the insurer after a triggering event and will be paid out over time - there is no (for example) ability to accelerate payment or to demand that an insurer liquidate its investments to cash out its customers.

			Rather than continuing to increase the data that firms are requested to provide, the IAIS should focus on advancing sound principles of risk governance and assessment, including group supervision tools such as ORSA and effective supervisory colleges. This approach will enable supervisors to better assess an insurance group's risk management framework, whether the group is well managed, and to evaluate governance and whether the group has the available capital to meet its policyholder obligations, including under stress scenarios.
19. National Association of Mutual Insurance Companies	United States	No	**Answer:** See GFIA response for detailed thoughts. NAMIC General Comments on Consultation The following comments are submitted on behalf of the member companies of the National Association of Mutual Insurance Companies regarding the public consultation draft entitled "Holistic Framework for Systemic Risk in the Insurance Sector" (hereafter the CD). Thank you for your interest in NAMIC member thoughts on this issue. NAMIC appreciates the opportunity to participate in developing a systemic risk assessment process that can work on an absolute and global basis to determine if the insurance sector directly creates systemic risk and if so what should be done about managing that risk. NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400-member companies representing 40 percent of the total U.S. property/casualty insurance market. NAMIC supports both regional/local mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies serve more than 170 million policyholders and write more than $253 billion in annual premiums. Our members direct written premiums account for 54 percent of homeowners' insurance, 43 percent of automobile insurance, and 35 percent of the business insurance markets. Through our advocacy programs we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies. The insurance industry is a critically important part of the global economy. The industry stabilizes the economy in times of stress and acts as a driver of economic growth by addressing risks, protecting policyholder capital, investing over $8

			trillion in global economies, financing infrastructure development to name a few impacts. Weisbart, Dr. Stephen, "How Insurance Drives Economic Growth," Insurance Information Institute, June 2018. Destabilizing the insurance industry will have consequences beyond the industry itself. So, any effort to identify systemic risk directly caused by our industry should be narrowly focused, well-researched and carefully implemented. The importance of the industry as an insurer of risks and as a significant global investor dictate extreme caution in deciding on systemically risky activities. With an industry of this size and importance to the global economy a decision that all insurers divest or limit investments in a particular sector could be catastrophic, creating its own crisis especially if applied on a collective basis. This CD includes a lengthy dissertation on the holistic approach and provides some indications about risky activities, but it does not overcome the major hurdle that all earlier studies and reporting from the IAIS clearly support the hypothesis that traditional insurance is not systemically risky. The CD provides a definition of systemic risk as: "risk of disruption to financial services that is caused by an impairment of all or parts of the financial system and has the potential to have serious negative consequences for the real economy." The CD should be revised to ensure a proper connection exists between the risks identified in the CD with impairment of "all or parts of the financial system" having "serious negative consequences for the real economy." Many of the risks identified do not meet one or both of these criteria. This should be a critical part of any proposal. Risks that do meet the definition of systemic risk should not be a part of the systemic risk discussion. Insurance is critical as a stabilizing influence in the global economy. Traditional insurance has not been deemed directly systemically risky. The major risk for insurance is that systemic activities in other sectors like banking or real estate will transmit financial harm to insurer holdings. This risk is no different than the risk suffered by all victims of a market crash. When systemic risk is viewed on an absolute basis, insurance activities are very minor in comparison to those of banking or real estate sectors. With this backdrop, NAMIC's major concerns with the CD are reflected in the following themes: - Collective systemic impact. The CD attempts to propose that the insurance industry needs to be monitored for a collective systemic impact. At the stakeholder event on January 15 NAMIC indicated that collective issues should not be part of a systemic risk assessment but should only be supervised through passage of laws/regulations applicable to all

			insurers as any other issue would be addressed. The working group at the stakeholder meeting agreed that laws and regulations were a form of systemic risk management that was anticipated. NAMIC suggests that the CD and any related ICP consultations be clarified to reflect this intent. - Proportionality and Materiality. This concern about the collective impact also goes to multiple questions raised about proportionality and materiality. These questions are mentioned but are not well-explained in the CD. At the stakeholder event the working group said each jurisdiction should make their own decisions about proportionality. NAMIC suggests that the CD and any related ICP consultations be clarified to reflect this intent. - Other Systemic Activities -- Of the systemic activities proposed in the CD, some (cyber, climate change) are not well enough understood to be included, and other activities are already well-regulated (reserving). This section of the CD should be eliminated and should not be included in any related ICP consultations. These "other systemic activities" are not ripe for discussion as systemic as there is no evidence to support the systemic nature of these risks. - Decision-makers. The CD doesn't clearly identify who will be the decision-maker designating activities. At the stakeholder event held January 15 the committee reported that the individual jurisdictional supervisors are expected to make the designations of risky activities. NAMIC suggests that the CD and any related ICP consultations be clarified to reflect this intent. NAMIC also has concerns about the IAIS role in the global monitoring. No insurer should be mandated to report information directly to the IAIS since the organization is a standard setter not a supervisor. - Transmission of risk - In the CD, transmission of risk by insurers is only described in a qualitative manner and generally includes asset liquidation and managing risk exposure. NAMIC disagrees with the notion that these activities cause systemic risk. Such activities are merely a reaction to systemic risk created in the economy by other sectors. More evidence is required to identify transmission channels if any exist. Such identification should be subject to due process at the local jurisdictional level. - Use Existing Information and Reports/Confidentiality -- NAMIC suggests that significant data is reported to supervisors and is widely available to provide the information sought for systemic risk assessment. The CD seems to create multiple new reporting requirements for insurers that will add to insurer's cost of reporting and provide minimal additional value in the systemic risk assessment. NAMIC believes that current Own Risk and Solvency Assessment (ORSA) reporting could

			be the basis for regulatory review of liquidity management instead of creating a whole new system. Before new data reporting requirements are adopted local jurisdictions should review existing reporting to determine if any gaps actually exist. At the stakeholder event this was described as the intent of the CD. NAMIC suggests that the CD and any related ICP consultations be clarified to reflect this intent. If ORSA or other risk assessment process is used, confidentiality of the individual insurer information provided to the IAIS or the jurisdictional supervisor is critically important to encourage an open and educational discussion of the potential risks. NAMIC does not support disclosure of the information reported by insurers. - Exhaustion of other powers -- Intervention powers of regulators should only be used when there is potential systemic risk that could be material to the global economy and when there are no other existing supervisory tools to address the risk. This should be clearly reflected in the CD and in any related ICP consultations. - ICS not Ready for Use in ABA -- NAMIC opposes the proposed use of the ICS to develop information on macroprudential risk. ICS is not yet fit for purpose and is still in the creation mode itself. It is not intended to be used at this point for PCR purposes. Reference to the ICS and its use in the systemic risk assessment should be removed from the CD and any related ICP consultations. NAMIC generally supports the comments on specific questions provided the Global Federation of Insurance Associations. Where NAMIC's positions differ or when emphasis of an issue is required NAMIC has provided responses to specific questions as well.
20. State Far m Insurance Companies	United States	No	**Answer:** January 25, 2019 Mr. Yoshihiro Kawai Secretary General International Association of Insurance Supervisors C/o Bank for International Settlements CH-4002 Basel Switzerland

			Dear Secretary General Kawai: State Farm Mutual Automobile Insurance Company ("State Farm Mutual") respectfully offers the following comments regarding the International Association of Insurance Supervisors (IAIS) public consultation document entitled "Holistic Framework for Systemic Risk in the Insurance Sector" ("the Consultation"). State Farm Mutual is a United States mutual insurance company established in 1922 and is the parent of the State Farm group of companies. Headquartered in Bloomington, Illinois, State Farm Mutual itself is the largest insurer of automobiles and, through its subsidiaries, the largest insurer of homes, in the United States. State Farm Mutual and its subsidiaries comprise eleven property and casualty insurance companies, three life insurance companies, and a small number of noninsurance entities, including State Farm Bank. State Farm Mutual is regulated by the State of Illinois Department of Insurance as its domiciliary regulator for financial strength and governance, and is also prudentially supervised by the Board of Governors of the Federal Reserve as a savings and loan holding company. State Farm Mutual is not an internationally active insurance group, but has closely followed and participated in the IAIS process of developing global regulatory models through industry and business associations. State Farm Mutual observes that the work of the IAIS is considered by U.S. domestic regulators and hence, the view of American domestic insurers of this Consultation should similarly be considered by the IAIS. At this juncture, State Farm Mutual has the following concerns regarding the Consultation: - The Consultation assumes the IAIS can and will use insurance regulators across the globe as data collectors where the IAIS will aggregate data and then make determinations as to systemic risk activities and situations, when in fact such collection and aggregation of data is not fully permissible under U.S. law. - It is well-established that traditional insurance, and particularly property and casualty insurance, is not systemically risky. Consequently, we believe that the focus of this Consultation should be limited to those few identified activities in the insurance sector that may present systemic risk to the overall financial system and not beyond. - The Consultation should recognize that not all insurers engage in specifically identified systemically risky activities accordingly, the Consultation should acknowledge exemptions from participation in any heightened monitoring or other activities unrelated to systemic risk. - Banking principles such as liquidity, interest rate risk, and credit risk are not consistently applicable to insurance in the exact manner or degree to which they are applicable in banking. As such, banking principles should not be applied to the

			insurance sector when addressing systemic risk. - We suggest the IAIS further clarify and define key terms such as "materiality" and scope thresholds anticipated to be utilized to determine systemically risky activities. Without further discussion and clarity around these key concepts, it is difficult to provide additional meaningful comments and suggestions. The Consultation provides in paragraph 70 that: "Macroprudential surveillance at a jurisdictional level can be complemented by monitoring efforts at the global level. Therefore, the holistic framework provides for a strengthening of the feedback loop between the global monitoring of risk by the IAIS and the jurisdictional monitoring and assessment." Arguably this ideal may assist the IAIS with its effort to monitor global systemic risk, but it does little to thwart the existence of systemic risk on a jurisdictional basis, the more likely geographic marker for negative economic effects due to systemic risk. We do not believe the IAIS has the charge and authority to seek such data from non- internationally active insurers via local regulators across the globe and then opine on systemic risk and offer additional global direction. The IAIS is an association of regulators which serves to promote effective and consistent global regulation. We suggest that IAIS and its stakeholders exercise caution so that the roles and responsibilities of both the IAIS and its member insurance regulators are not unintentionally conflated. Further, traditional insurance is not, in and of itself, systemically risky. This Consultation does not acknowledge that a "run on the bank" cannot effectively occur in a property-casualty based insurance company given the short duration of the policy contract and the basis of policy coverage on property and casualty losses. The IAIS should tailor this Consultation to recognize this lack of systemic risk within this industry segment. Similarly, given the fundamental differences between insurance and banking, "risks" such as savings-oriented products, unmatched guarantees, counter party exposure and even liquidity risks, have inherently different characteristics and risks within the insurance sector. The IAIS should explain how these risks are treated differently for the insurance sector in comparison to the banking industry, clearly articulating the nuances of each risk as it is presented in the insurance context. Failing to clearly articulate the distinction likely will lead to a holistic framework that will be mismatched with insurance risks, creating unduly burdensome regulation. Although we acknowledge that valid systemic concerns that underlie the analytical framework, we remain concerned that the Consultation is overly broad and lacks specificity on variety of important concepts. Materiality, proportionality, and de minimis thresholds are all concepts that need further definition and refinement. We further believe that the Consultation

			itself does not wholly define either systemically risky activities or events but rather creates a list of potential risks without fairly addressing their likelihood or existence within the insurance industry. We suggest that, rather than a list of possibilities, the Consultation should be refocused as a conceptual document and tool to be utilized by regulators on a risk focused basis to address real and quantifiable systemic risk in their respective jurisdictions. For these reasons, State Farm Mutual respectfully recommends that the IAIS consider revising the Consultation to be more consistent with a conceptual document, addressed to quantifiable systemic risks. Thank you for the opportunity to comment and we would welcome the opportunity to explore these concepts with you further.
21. U.S. Chamber of Commerce, Center for Capital Markets Competitiveness	United States	No	**Answer:** The following letter reflects the views of the U.S. Chamber of Commerce for the entire Public Consultation: Holistic Framework for Systemic Risk in the Insurance Sector January 25, 2019 To Whom It May Concern International Association of Insurance Supervisors c/o Bank for International Settlements CH-4002 Basel Switzerland Re: Public Consultation - Holistic Framework for Systemic Risk in the Insurance Sector To Whom It May Concern: The U.S. Chamber of Commerce ("the Chamber") is the world's largest business federation, representing the interests of more than three million businesses and organizations of every size, sector, and region. Our members include insurance companies that operate only in the United States ("U.S.") as well as insurance companies headquartered both in and outside of the United States. Perhaps more importantly, our membership includes non-financial companies that rely on insurance products, and we are mindful of the larger role insurance plays as an investor in a globally interconnected economy. The insurance sector is an integral provider of capital to the U.S. economy. Businesses of all sizes depend on bond markets to raise capital. Although not as liquid as equity markets, the global bond markets provide a stable form of

			financing, benefiting businesses and investors alike. Inappropriately structured regulation for the insurance sector could have a significant impact on the ability of many businesses to engage in normal capital formation activities, efficient cash management, and effective risk management. While some of our members disagree with the standard setting work of the IAIS, the Chamber as a whole supports the development of standards in a transparent manner. To that end, the Chamber appreciates the opportunity to comment on the Public Consultation on the "Holistic Framework for Systemic Risk in the Insurance Sector" ("Holistic Framework") issued by the International Association of Insurance Supervisors ("IAIS") on November 14, 2018. In general, we support the incremental shift by the IAIS from a narrow focus on individual entities to a broader cross sector and cross sectoral activities-based approach. While we support the direction of the Holistic Framework there are a number of elements of concern to our members. The Chamber offers the following perspectives and comments on the proposed Holistic Framework: 1. The Holistic Framework should be principles-based and preserve flexibility for jurisdictional supervisors; 2. There should be a clear transition from an entities-based approach ("EBA") to an activities-based approach ("ABA"); 3. The methodology and exposures focused on should be appropriate; 4. The scope of applicability should be clarified; 5. Administration of sector-wide monitoring should be appropriate; 6. Concerns with supervisory measures need to be addressed; 7. References to the Risk-based Global Insurance Capital Standard ("ICS") should be removed; and 8. The development timeline and approach to implementation should be appropriate. 1. The Holistic Framework should be principles-based and preserve flexibility for jurisdictional supervisors In general, the Chamber believes the Holistic Framework should be principles-based and provide flexibility for jurisdictional supervisors. Principles employed to guide implementation of the Holistic Framework should be realistic, flexible, and fair to prevent over-regulation while promoting the objective of preserving financial stability. The IAIS should

			avoid prescriptive approaches and policy measures as jurisdictional regulators should have flexibility to address the risk exposures and transmission channels as appropriate for their market. A principles-based framework acknowledges that jurisdictional supervisors have the legal authority to implement the framework at their discretion and have an in depth understanding of firms and the risks they pose to financial markets. Furthermore, a principles-based framework is more appropriate for empowering jurisdictional supervisors to address concerns with identified systemic risk if they were to arise. Policymakers in the U.S., including the Department of the Treasury and the National Association of Insurance Commissioners ("NAIC"), have embraced an ABA. The Department of the Treasury has recommended de-designating nonbank firms, instituting due-process reforms for designation authority, and outlined an activities-based approach for systemic risk. The NAIC is engaged in similar work on a parallel track through its Macro Prudential Initiative (MPI). Importantly, they have noted that many of the same tools used for micro-prudential surveillance at the legal entity level are also useful for macro-prudential analysis, suggesting an interest in avoiding redundant data calls. 2. There should be a clear transition from an EBA to an ABA In general, the Chamber supports the incremental shift from an EBA to an ABA for addressing identified systemic risk in the insurance sector. Focusing on a handful of individual firms fails to meaningfully help supervisors identify and mitigate potential threats to global financial stability. a. Concerns with EBA to systemic risk The Chamber supports the decision of the Financial Stability Board (FSB) to refrain from identifying a list of Globally Systemically Important Insurers (G-SIIs) in 2018 and its intention to suspend the identification process until 2022. A bifurcated approach, that describes some firms as systemically important, may create an unlevel playing-field with regulatory cliffs that harms the efficiency of capital markets. The Chamber has previously raised concerns with the methodology for G-SII determinations and has consistently raised concerns regarding entity-based approaches describing them as "blunt tools that have harmed the efficiency of our capital markets" and not improved the ability of regulators to mitigate systemic risk. b. Activities-Based Approach Should Replace Entities-Based Approach The Chamber supports the development of an ABA and its increased prominence within the Holistic Framework. We are concerned however with the redundant layer of regulation and reporting requirements that will result from the current

			proposal to include elements of both an ABA and EBA in the Holistic Framework. The development of an ABA should replace the generic entity-based framework, not "complement" it. The Holistic Framework outlines an objective of transitioning away from the existing EBA, but much of the underlying architecture of the EBA is retained and in some cases expanded upon. In doing so, the IAIS fails to sufficiently acknowledge that the group-wide supervisor, supervisory colleges, and crisis management groups are best positioned to assess the risk a firm presents to financial stability at the jurisdictional or global level. Rather than retain the EBA infrastructure, entity-level developments or exposures of concern should be addressed through the proposed "sector wide global monitoring" which appropriately intends to rely "to the extent possible, on existing data collections and supervisory reporting requirements to limit the burden for insurers and supervisors." Furthermore, retaining EBA elements in the Holistic Framework fails to recognize the overlap that would exist between the risk exposures (i.e., liquidity, counterparty exposure, etc.) and related policy measures (i.e., enhancements to the Insurance Core Principles (ICPs) and Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) that are to be employed for purposes of assessing risk on a cross-sector basis. 3. The methodology and exposures focused on should be appropriate The scope and applicability of the Holistic Framework should be clearly defined while also providing flexibility to jurisdictional supervisors. The Holistic Framework should avoid bank-centric methodologies. The Chamber has noted, "forcing nonbanks to conform to a regulatory template designed for banks is impracticable and expensive and produces no discernible benefit." The Chamber appreciates the recognition by the IAIS that "banks and insurers vary in their business models, structures, and activities, and that systemic importance can different significantly across sectors." The number and type of potential systemically risky activities engaged in by insurance groups is likely to be limited, narrowly drawn, and non-insurance in nature. The design of the Holistic Framework should adhere closely to the FSB-accepted definition that systemic risk is the risk of widespread disruption to the financial system and which can cause serious negative consequences for the real economy. The design of the ABA should identify those activities that a firm employs could be material and systemically risk based on this definition. Only those activities clearly identified as systemically should be included in the ABA; there should not be scenarios where it is necessary to disprove the riskiness of other activities that are not clearly enumerated within the Holistic Framework. Furthermore, there is a strong case to be made that the insurance sector stabilizes the economy during instances of market stress.

			The Holistic Framework should also acknowledge measures that reduce systemic risk. The IAIS should clarify that exposure to vulnerability "depends on how such an activity is managed." Existing micro-prudential regulation and supervision, not to mention the risk-management practices of individual firms, may sufficiently address risk and negate the need for certain macro-prudential considerations in the Holistic Framework. Recognition of the role micro-prudential tools can play in achieving macro-prudential objectives and the need for proportionality are positive elements in this regard however, we believe these elements should be expanded upon. The Holistic Framework states that there may be a systemic impact from exposure to liquidity risk, interconnectedness, lack of substitutability, and "other sources" of risk. We believe the consideration of substitutability and "other sources" (e.g., cyber, climate, etc.) as potential globally systemic risks is inappropriate. To do otherwise suggests special treatment or importance to these risk categories without proper justification for their inclusion. For example, while the "other sources" of risk cited by the consultation can impact the insurance sector, they are both idiosyncratic and limited in nature. The IAIS must conduct further work and analysis to better understand these risks before citing them in the context of identified activities that lead to systemic risk. 4. The scope of applicability should be clarified The concept of proportionality is an important element to the Holistic Framework. It is critical that the IAIS provide enough latitude to jurisdictional supervisors to ensure an appropriate balance is achieved between achieving supervisory objectives and avoiding the imposition of regulatory burdens on firms that do not meaningfully engage in activities that could present systemic risk to the global financial system. The Holistic Framework should not be broadly constructed to include firms that do not engage in those clearly defined limited set of activities or would be material to the firm. 5. Administration of sector-wide monitoring should be appropriate The "global monitoring exercise" by the IAIS as proposed in the Holistic Framework runs the risk of imposing new regulatory burdens from data collection and appears to open the door for additional firms to systemic risk regulation. The Chamber appreciates reduced focus on application of requirements to individual entities but is compelled to underscore that moving away from this "bright line" approach may inappropriately capture other firms participating in the insurance market.

			For the Holistic Framework to succeed and adequately balance the costs and benefits of regulation it must leverage existing jurisdictional practices to the greatest extent possible. The role of the IAIS must be limited to facilitating data collection and to monitoring the marketplace. Specifically, the Chamber believes that the Holistic Framework should largely rely on jurisdictions to share aggregate data and qualitative assessments for their market with the IAIS for purposes of identifying global trends and achieving shared macro-prudential objectives. Such an approach would account for the fact that local regulators are best positioned to assess risks within their market and are ultimately responsible for imposing regulatory standards that would be used to address the identified activities that are systemically risky that are employed by a firm to mitigate the potential build-up or transmission of systemic risk. Furthermore, if data collection by IAIS were not to be on an aggregate level from the local regulators then confidentiality issues would need to be addressed. 6. Concerns with supervisory measures need to be addressed The Chamber has concerns with the broad and loose nature of the proposed powers of intervention. The proposed actions - e.g., restricting business activities, requiring capital add-ons and new reserving requirements, imposing exposure limits, etc. - would have material impacts on any insurer or insurers they were imposed upon as well as markets and consumers more broadly. Such tools should only be considered in extreme circumstances and after an established local supervisory trigger has been breached on a micro-prudential level. Further, the Holistic Framework must establish a clear link between any proposed powers of intervention and the type of exposure / connection to a systemic risk transmission channel that is of concern so stakeholders - including supervisors - can better assess the appropriateness of the proposals. Similarly, the Chamber also has concerns with the framing of stress testing within the consultation. While we acknowledge the role stress testing can play in illuminating risk exposures, employing this tool comes at a considerable cost to insurers and supervisors. If not employed appropriately stress testing may not delivered the intended insights into risks or worse could give rise to false-positives and/or false-negatives. To avoid such outcomes, we reiterate our view that the Holistic Framework should employ a principles-based approach to preserve flexibility for jurisdictional supervisors and insurers to strike a balance between achieving prudential objectives and the potential costs/benefits of the proposed tools. 7. Reference to the ICS should be removed The Chamber believes references to the ICS as a tool for achieving macro

			prudential objectives is premature given the developmental nature of the standard and significant concerns that exist regarding the appropriateness of the standard. Only after the proposed 2020 to 2024 ICS monitoring period, which should entail considerable refinement of the ICS and impact assessments of the framework, would it be appropriate, if ever, for the IAIS to consider if/how the tool may contribute to assessing and mitigating systemic risk at the global level. Considering the preliminary and unproven nature of the ICS, we call on the IAIS to remove all references to it within the Holistic Framework. 8. The development timeline and approach to implementation should be appropriate The Chamber supports the direction the IAIS is moving with the Holistic Framework but we believe that the proposed development timeline is overly ambitious. Continued development of the Holistic Framework must be done in a transparent and flexible manner that allows for the incorporation of feedback from jurisdictional supervisors and stakeholders. The proposed June 2019 consultation on revisions to the ICPs and ComFrame will be an essential step and must address gaps that exist in the current consultation. The substance of these consultations and subsequent application papers may change the Chambers assessment of the appropriateness of the Holistic Framework. In addition, the approach to implementing the Holistic Framework and subsequent jurisdictional assessments to be conducted by the IAIS present additional elements that will determine its ultimate appropriateness. Closing In aiming to address prudential and financial stability concerns, regulatory standards and policy measures developed by the IAIS must not undermine the ability of the insurance sector to continue to fulfill its vital role for policyholders and the capital markets. While we commend the IAIS on incrementally shifting its approach to assessing and mitigating global systemic risk in a more appropriate direction, we reiterate our view that various elements of the Holistic Framework remain of concern and must be addressed ahead of its scheduled adoption in November 2019. The Chamber looks forward to further engagement with this IAIS on this important topic. Sincerely,

			Tom Quaadman
22. RAA	United States and many other jurisdicitons	No	**Answer:** No. The consultation paper lacks specifics on how and to what extent these exposures might actually transmit material systemic risk to the financial sector. As discussed in our general comments below the insurance industry and the activities it engages in are unlikely to generate systemic risk in the aggregate, particularly as compared to other financial services activities. While we agree it is important to evaluate this risk, the risks evaluated should be subject to clear criteria that justifies their potential to materially create or amplify systemic risk. Under-reserving in the non-life insurance industry does not involve potential systemic risks to the global economy. Under-reserving without the possibility to reprice the risk is not material to the non-life industry as contracts are repriced annually and reserving risks are well supervised. Insurance reserves are opined upon by third parties, comprehensively disclosed and closely monitored by investors. The potential for correlated actions resulting from under-reserving risk leading to widespread asset liquidation and systemic concerns seems tenuous. Finally, we would recommend reviewing AM Best annual studies of U.S. insurance company impairments. During the period 2000 through 2017, under-reserving is not listed as a specific causal factor for any non-life industry impairments. While the report encompasses only U.S. insurers, available evidence indicates that non-life under-reserving risk is not a source of impairments in other jurisdictions either. If the risk is not significant at the legal entity level, then it is highly unlikely to rise to the level that it would impact the real economy. Similarly, lack of substitutability should also be removed from the list of key exposures. This risk manifests itself periodically but only in highly specific market niches and narrow geographic areas. Without minimizing the significance of these impacts to the groups affected, they have historically been temporary and short-lived, and they never have risen to the level to impact the global financial system or real economy. Therefore, by definition this exposure cannot be systemic and should be removed from consideration. In addition, in the (re)insurance segment helps minimize this exposure in two ways: first, reinsurance is a product that encourages diversification, allowing more participants to participate in narrow markets and minimizing high supplier concentrations; and second, reinsurers themselves share insurance risk with the capital markets through direct competition and retrocession. Historically new capital flows into the reinsurance market quickly following extreme losses, which helps steady the overall market. The stabilizing role of reinsurance must be considered in the holistic framework for systemic risk. Interconnectedness is an exposure that could potentially lead to systemic risk, but it is one that should be evaluated carefully. RAA provided a report to the IAIS in July 2011 that demonstrated through an extreme stress test scenario analysis that even a failure of the top two global reinsurers would not have a systemic impact on the financial markets or real economy.

			This is due in part to the reinsurance utilization rate below 20% and the significant amount of economic exposures that are uninsured. Uninsured catastrophe risk is a systemic risk that should be addressed in the monitoring exercise and policy measures should be developed to address this insurance gap. While interconnectedness is unlikely to arise on the underwriting side of the business, it remains possible that interconnectedness and counterparty exposure on the asset side (e.g. investing and hedging activity), particularly with bank counterparties could create systemic risk. This should be the IAIS's focus, though care should be taken to ensure that the risk is appropriately evaluated for materiality and that necessary policy measures are applied proportionately. Finally, regarding interconnectedness of reinsurance to the insurance industry and the broader financial markets, we commend the IAIS conclusions in its July 2012 report and reproduce the conclusion paragraphs below: 28. Large, globally active primary insurers tend to cede less business than their smaller competitors because their size and business spread over many lines and multiple geographies allows for better risk diversification within the insurer itself. But global players still have an interest in ceding risks to reinsurers. Similarly, reinsurers cede risks either to retrocessionnaires, which in most cases are located outside the competing reinsurance system, or to the capital markets in the form of insurance-linked securities (mostly in the form of catastrophe bonds). 29. The insurance market is characterised by an essentially hierarchical structure, with weak interconnectivity along vertical lines (ie between cedants and reinsurers) and even weaker, or no connectivity at all, across primary insurers. The hierarchical structure dampens the propagation of shocks through the insurance market meaning that amplification of shocks to a systemic proportion is unlikely
23. Prudential Financial, Inc.	United States of America	No	**Answer:** Prudential's Overarching Comments Prudential Financial, Inc. ("Prudential") thanks the International Association of Insurance Supervisors ("IAIS") for the opportunity to comment on the November 14, 2018 Holistic Framework for Systemic Risk in the Insurance Sector ("Holistic Framework") consultation ("the consultation"). As we have previously noted, we support the development of global regulatory frameworks and policy measures that help achieve the IAIS' stated mission of protecting policyholders and preserving financial stability. Broadly, we believe a meaningful assessment of systemic risk at the global level would require regulators to perform a coordinated cross sectoral assessment of how a shock to global financial markets - which serve as the connective tissue of the financial services sector - could impact activities, risk exposures, transmission channels and, potentially, global

			financial stability. In carrying out such an exercise the Financial Stability Board ("FSB") could obtain a comprehensive view of how shocks to the financial system, or components of it, could potentially spread and better understand underlying drivers. The parameters of such an exercise should be driven by the FSB, with execution carried out by jurisdictional financial service regulators as an additional element of their local stress testing regime. While such an exercise would require extensive collaboration and communication across standard setting organizations, regulators, and industry it would ultimately serve as a more meaningful exercise than the narrowly focused and siloed global approaches currently employed. While we believe the broad, cross sectoral exercise described above is the most meaningful and informative approach for assessing global systemic risk, we recognize it would take time to achieve. We also recognize that executing such an exercise requires appropriately designed sectoral frameworks that can easily plug in to the overall assessment. Generally, we believe the IAIS' efforts to move to a Holistic Framework serve as a positive incremental shift towards a more appropriately designed framework for the insurance sector due to its expanded focus on assessing risk on a cross sector basis. While we commend the IAIS on progress made with the Holistic Framework we note that the preliminary and broad nature of various elements precludes us from being able to fully assess its efficacy and impact. Additionally, certain elements of the Holistic Framework remain of concern. We believe the Holistic Framework better positions the IAIS to contribute to an assessment of global systemic risk through its: + Increased focus on assessing sector-wide trends in an effort to more comprehensively detect the possible build-up of risks; + View that the Holistic Framework should remove the need for annual G-SII identification by the FSB; + Shift away from the entity-based approach ("EBA") and activities-based approach ("ABA") terminology; + Focus on liquidity and counterparty exposures as potential transmission channels for systemic risk; + Greater recognition of the need to assess systemic risk on a cross sectoral basis; + Focus on leveraging the Insurance Core Principles ("ICPs"), Common Framework for the Supervision of Internationally Active Insurance Groups ("ComFrame") and application papers as the vehicles for implementing the Holistic Framework; + Recognition that micro-prudential tools and jurisdictional approaches can and should be leveraged to achieve global

			macro-prudential objectives; and + Intention to rely on existing supervisory requirements. Regarding continued areas of concern, we note the following items which we look forward to addressing with the IAIS as it further develops the Holistic Framework: + Continued focus on potential systemic risk emanating from individual insurance companies Prudential does not believe individual insurers are systemic and disagrees with the IAIS' decision to maintain a prominent focus on the potential impact of the distress or disorderly failure of individual insurers within the Holistic Framework. We do not support the continued view that an insurer's size and global activity are risk amplifiers; rather these should be viewed as sources of stability and strength. To this end we disagree with the decision to retain and potentially expand the use of the IAIS individual insurer data collection exercise. The role of the IAIS should instead be to serve as a forum where aggregate information (quantitative and qualitative) provided by jurisdictional supervisors and authorities (e.g., the group-wide supervisor("GWS"), college of supervisors, and crisis management group ("CMG")) is collectively assessed and discussed. Such an approach would: --- Better align the Holistic Framework with the stated objective of "relying, to the extent possible, on existing data collections and supervisory reporting requirements to limit the burden for insurers and supervisors"; --- Better recognize the primacy, knowledge and authority of local regulators who are best positioned to assess the financial condition of insurers in their market and determine what and how supervisory policy measures are applied; and --- Serve as a more efficient and appropriate approach given the overlap in the risks that are of concern (i.e., liquidity and interconnectedness) between the cross-sector and individual insurer-oriented elements of the Holistic Framework. Related to this point, the Holistic Framework does not draw a sufficiently clear distinction between potential systemic risk at the global level versus the jurisdictional level. We strongly believe the focus of the IAIS - a global standard setting body - should be the former. + Potential development of IAIS liquidity risk metrics A simple standardized factor-based liquidity assessment will result in a crude and misleading assessment of risks. The IAIS should instead focus on leveraging information on liquidity risk gathered by jurisdictional supervisors and authorities that can be based on a more risk sensitive cash flow-based approach. More broadly, any liquidity standards or guidance

			the IAIS develops should be principles based and serve only as guideposts for jurisdictional supervisors to consider as they develop or refine liquidity frameworks that are tailored to their market. + Ongoing consideration and focus on "macro-economic exposures" We continue to believe this concept is overly broad and redundant to the "liquidity exposure" (e.g., a common focus on potential forced asset sales, need for resources to meet margin or collateral calls, etc.). + References to the Risk-based Global Insurance Capital Standard ("ICS") The ICS remains an unproven work in progress and its consideration as a tool for assessing and mitigating systemic risk before the conclusion of the 2020 to 2024 monitoring period is premature. References to it throughout the Holistic Framework should be struck. Additionally, the ICS framework assumes all global financial markets (credit, interest rate, equity, FX, etc.) are highly, if not perfectly, correlated. While this assumption may be appropriate for purposes of a solvency framework, it is not appropriate for assessing the potential propagation of risks across global markets. Finally, it is important that the Holistic Framework avoid conflating capital and liquidity concerns as the latter is the only one of the two that could propagate risks across global markets. + Consideration of inappropriate policy measures We disagree with the continued consideration of entity-centric tools such as systemic risk management plans ("SRMPs") and capital add-ons as they would require a defined set of activities that would be the focus of the measures and would only serve to drive activities that are of concern to companies that are not subject to them. + Consideration of cyber and other risks Further work to understand these risks should be performed before they are cited as being potentially systemic. For example, we view cyber risks as idiosyncratic in nature and therefore not potentially systemic. The risk of wide-spread under-reserving without the possibility to reprice, for mortality trends for example, manifests itself slowly overtime. As such, they most likely not potentially systemic in nature. + Lack of consideration for diversification in the insurer's risk profile To the extent the IAIS collects data as part of its effort to assess and mitigate systemic risk it must sufficiently take into consideration potential diversification benefits within the insurers' risk profile to the extent that capital and liquidity are

			fungible. There are natural offsets between different business lines which, in a stress environment, could alleviate the need to liquidate assets or strengthen capital. + An incomplete picture of the Holistic Framework Important elements of the Holistic Framework require further elaboration and detail - e.g., how the IAIS envisions the proposed powers of intervention being applied in practice, details of proposed policy measures, expectations for the role of stress testing, etc. While we recognize development of the Holistic Framework is expected to be an evolutionary process the current lack of details makes it difficult for stakeholders to fully assess its appropriateness. In addition to addressing feedback received on the consultation, the IAIS must remain receptive to and thoughtfully address future stakeholder input and demonstrate a willingness to change the Holistic Framework as needed over the years ahead. An appropriately designed Holistic Framework would offer a more fulsome means for the IAIS to contribute to preserving global financial stability than the previously employed EBA and in doing so enhance confidence in our industry. Conversely, if not designed well, the Holistic Framework could increase risk across the industry and undermine its ability to offer products that help address societal needs and provide long-term funding to financial markets. Our response to the consultation is intended to constructively support the IAIS' ongoing work on the Holistic Framework and achieve an appropriate end result. We would welcome the opportunity to discuss the information included in this response should the IAIS Secretariat or member organizations wish to do so. Response to Question 1 Inclusion of liquidity risk and counterparty exposure are appropriate; however, we disagree with continued inclusion of macroeconomic exposure within the IAIS' framework for assessing and mitigating systemic risk. We continue to believe the macroeconomic exposure category is overly broad and redundant to the "liquidity exposure" as demonstrated by the examples provided in paragraph 37 (see relevant excerpts to this point below): + For "significant unmatched guarantees" - "margin calls and higher haircuts due to worsening solvency may force the insurer to sell assets in order to obtain liquidity"; + For "products embedding features such as automatic asset sales triggered by asset value decreases" this text alone clearly identifies the underlying concern as potential asset liquidation related to such features; and + For "derivative contracts" - "… potentially triggering defaults or substantial liquidity demands through margin or

			collateral calls" These examples highlight the repetitive nature of the macroeconomic exposure concept with liquidity risk and demonstrate why macroeconomic exposure should not be identified as a standalone element within the Holistic Framework. Regarding liquidity risk, we believe the identified drivers of derivatives, securities lending and backing liquid liabilities with illiquid assets are appropriate. In addition, we recognize that over time and as markets and the insurance sector evolve new risk exposures will emerge. However, it is inappropriate to cite specific examples as potential globally systemic absent stronger justification and evidence - i.e., references to cyber risk, which we believe is idiosyncratic in nature and therefore not potentially systemic. Further, in attempting to identify exposures that could lead to globally systemic impacts, the IAIS must consider the time nature with which risks manifest. For life insurers, risks generally manifest slowly over time which provides supervisors and insurers ample time to identify and address concerns through existing supervisory tools, ongoing supervision and company risk management practices. As noted in our response to the December 8, 2017 ABA to Systemic Risk interim consultation document: +Life insurers are in the business of issuing long term promises to their policyholders and manage their assets and liabilities based on their long-term, predictable nature; and + While the Great Financial Crisis clearly demonstrated risks in the sector, it also demonstrated that insurers - with their stable and predictable cash flows (e.g., policyholder premiums on in-force business, coupon payments on investment holdings, etc.) - continued to provide funding to the markets throughout a stress event. Finally, and more broadly, we disagree with the assessment that individual insurers can serve as a source of systemic risk (paragraph 23). Such a view drastically overstates the risk any individual insurer could present to the global financial system and, through the underpinning loss given default assumption, fails to adequately consider: + Insurer risk management practices; + An insurer's vulnerability to stress; or

			+ The benefits of existing supervisory tools and oversight.
24. AIG	USA	No	**Answer:** In properly defining the scope of potential systemically-risky activities, it is additionally important to assess timing of the exposure (i.e., shock vs. a "slow bleed") and the correlation with financial risk factors. For these reasons, neither interest rate risk (which can impact solvency over a longer horizon) nor cyber risk (which is not demonstrably correlated with financial market shocks) should be scoped into the holistic framework, even though each of these risks is certainly relevant for the sector to manage generally. As a pragmatic issue, a primary policy measure to address cyber risk is operational resilience, not the financially-oriented prudential tools specified in the consultation. As a corollary to the principle that jurisdictional authorities should steer the future substantive direction of systemic risk oversight, we believe the holistic framework should not embed examples of product features that negatively implicate particular well-established market segments. Notably, the consultation highlights several features that would strongly imply that US annuities products are focal points of concern. To be clear, we think it is an important advance that the IAIS has formally moved beyond the reductive use of product lists (so-called "non-traditional, non-insurance"). At the same time, we encourage a more globally balanced view of potential risk exposures, focused on activities and not products, which takes into account nuances in underwriting, risk management, and performance under stress.
25. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** -GENERAL COMMENTS ON THE FRAMEWORK- Representing nearly 60 percent of the U.S. property casualty insurance market, the American Property Casualty Insurance Association (APCIA) promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe. APCIA appreciates the work of the IAIS and the Systemic Risk Assessment Task Force in analyzing the IAIS' current framework for assessing systemic risk in the insurance sector. In particular, we appreciate its recognition that the current entity-based system has significant flaws and the IAIS must redesign its approach. With that in mind, we have the following general comments about the consultation draft, and look forward to submitting more detailed comments to you by January 25: * Limited systemic risk in the insurance sector - The IAIS rightly has recognized over the years that insurance activities pose little risk of generating or transmitting systemic risk, and we believe that is especially true in the non-life insurance sector. To the contrary, insurance is primarily a tool for mitigating systemic risk. This paper, however, contains limited

			recognition of these facts, and we urge the IAIS to make this clear. Where potential sources and transmission channels for systemic risk have been identified, we would urge the IAIS to provide evidence or greater clarity as to which activities within the business of insurance it feels are the source or transmission channel of systemic risk. * Proportionality - We appreciate that the IAIS properly recognizes that the requirements and limitations proposed by this paper "should not go beyond what is necessary in order to achieve their purpose". We feel that it is particularly important that the principle of proportionality be taken into consideration when dealing with insurers of different sizes and those with varying levels of complexity. Furthermore, in applying the principle of proportionality, it is critical that policy measures are not applied more broadly than necessary to address any existing systemic risk. Finally, proportionality should be applied to the data collection requirements of the holistic framework, recognizing that expansive data collection exercises can be time and resource intensive. * Microprudential vs. macroprudential supervision - Many of the activities mentioned in the draft are already subject to significant regulatory intervention as a part of existing jurisdictional microprudential regulation (such as asset concentration and securities lending limits, for example). Although the holistic framework recognizes existing microprudential supervision, it should add to it only when necessary. * Standards and due process - As an activities-based approach is developed as part of the holistic framework, the question of how insurance supervisors within their jurisdictions will decide how much of a particular activity is systemically risky and how that activity should be limited becomes important. This is especially true as those limitations are applied across industry segments (or perhaps an entire industry). While it would be improper for the IAIS to outline specific processes that are rightfully in the purview of each jurisdiction, we recommend that the framework make it clear that the standards are being developed with the assumption that the decisions that are made by authorities will be done according to sufficient and transparent due process, and that the standards and metrics themselves are shown to properly address activities with systemic exposure and their transmission channels. * Global vs. jurisdictional systemic risk - The paper is in many cases unclear as to whether it is dealing with global systemic risk (the threat of harm to the global financial system) or jurisdictional systemic risk (the threat of harm to national economies). Specific activities and transmission channels can be of very different relevance depending upon which of the above is being considered, and we urge the IAIS to be more explicit in the next version of the paper as to which is being considered. * Timing and implementation - Recognizing the importance of this work, we hope that the IAIS will consider extending

			the timeframe for the development and implementation of the holistic framework to allow for further consultation on an additional draft. We would particularly appreciate additional explanation and consultation on those areas where the IAIS intends to utilize tools from other projects (ie: ICS, LCR, stress testing) in the systemic risk framework. In particular we believe the holistic framework should not use the ICS, which is not designed for this purpose. The IAIS should consider whether a delay in the proposed 2020 implementation date will be necessary. -RESPONSE TO QUESTION 1- We urge the IAIS to recognize in this framework, as it has in the past, that traditional insurance activities are not significant sources of systemic risk. We encourage the IAIS to provide examples of where the insurance industry has created systemic risk for each of the potential sources within the insurance sector that it had identified. We also encourage the IAIS to differentiate between potential systemic risk for non-life insurers and life insurers throughout the document. Regarding liquidity risk, we do not feel that liquidity risks are relevant to the non-life insurance sector specifically. Non-life insurance policies are of a short duration, usually one year or less. While claims can take many years to emerge, be reported, adjudicated and paid, they are a function of insured events occurring during the period of coverage - not of future macroeconomic events as is the case for life insurance. Non-life insurers inherently enjoy positive cash flow (premiums are received well in advance of claim payments) and generally have a liquid asset profile that, while not matched in the manner that is the practice for some life insurance lines, nonetheless broadly reflects the liabilities. While some non-life insurers incur some claims that can pay out over longer periods, they are generally diversified across varied risks and benefit from a positive cash flow business model that makes it unlikely that a particular activity undertaken by them would pose financial risks. Finally, non-life insurers do not face the surrender issues that are faced by the life insurance industry, and non-life risks are uncorrelated with financial risks; combined with the fact that claim payments depend on the occurrence and reporting of a covered event and are not payable at the claimant's option, there is no risk of a "run on the bank." There is very little evidence that counterparty risk on the non-life side materializes often, or that it causes significant disruptions when it does. The most often-cited example of perceived counterparty risk is in the reinsurance sector. A report released by the OECD in December 2018 entitled "The Contribution of Reinsurance Markets to Managing Catastrophe Risk" points out that "According to some reports, 29 reinsurers failed between 1980 and early 2011 globally. These were mostly smaller reinsurance companies that together accounted for approximately USD 1.8 billion or 0.43% of the premiums ceded in that 31-year period. Potentially reflecting the limited number of reinsurer failures, an assessment of actual non-life insurer impairments in the United States between 1969 and 2014 found that a reinsurance

			failure was the primary driver for only 3.0% of all non-life insurance company impairments and for only one impairment since 2000". If the IAIS believes that counterparty exposure is a significant source of systemic risk we suggest that the IAIS provide evidence to that effect. Regarding substitutability, we believe that substitutability (or lack of substitutability) of products is unlikely to pose a material risk in the non-life sector, and does not have a transmission channel to broader financial markets and the global economy. Products offered in the non-life sector offer a high degree of substitutability. Even assuming certain lines are highly concentrated, there is no evidence that failures related to those coverages would cause a market disruption in certain economic quarters, much less a cascading effect across the financial system or widespread liquidity or credit problems. The IAIS seems to suggest that marine and aviation insurance, export credit insurance, and mortgage insurance create substitutability exposure by listing them in Figure 1. As the first two categories are frequently offered a cross-border basis, it seems unlikely that there would be substitutability issues in those lines. It would be helpful if the IAIS explained why it believes those lines create substitutability exposures. Assuming that the IAIS continues to view substitutability as a source of systemic risk, we would suggest that its value as an assessment category lies only where markets are highly concentrated and where the particular non-life financial product or activity is conducted across different financial sectors. Any measurement should not be premium volume. Instead, global market concentration measures by broad product line would be a more appropriate way of measuring substitutability. In the U.S., the Herfindahl-Hirschman Index (HHI) of market concentration is used by the U.S. Department of Justice in assessing mergers/acquisitions from an anti-competitive perspective. The HHI takes into account the market share of each firm in an industry. The HHI has gained wide acceptance as the public and private sector standard for measuring market concentration and assessing the competitiveness of markets. Again, it is important to stress that substitutability measurements would only be relevant for activities/product lines that have the potential to destabilize financial systems. Finally, if the IAIS does proceed with including substitutability, we would encourage the IAIS to consider how the ease of market entry could mitigate risks or increase risks. If a regulator concludes there is limited substitutability for a product in a market, easing the entry into the market of competitor insurers would reduce substitutability risks. Conversely, where the policies of a regulator act as a barrier to entry, benefitting existing market players, any risk associated with substitutability could be exacerbated. Regarding cyber and climate risks, we believe that neither can be the source of systemic risk in the context of the proposed holistic framework. In the case of cyber risk for example, there is no demonstrable correlation between that

			cyber risk and broader markets. It is also unclear whether insurers are originators or transmitters of cyber risk, which has important implications for how the risk should be addressed. Furthermore, cyber risks are relevant far beyond the insurance and other financial sectors, arguably touching all businesses throughout the global economy. With respect to both cyber and climate change risks, we recommend that the IAIS differentiate between those risks of an operational nature for which all insurers are subject, from those for which an insurer's exposure is a function of its specific business model and the related risks that are undertaken. The former should be addressed by all insurers; indeed, both are already the subject of other IAIS initiatives and papers unrelated to systemic risk per se. Nor would resulting supervisory measures be subject to proportionality in the sense contemplated by the holistic framework. This highlights a pervasive concern about the draft paper, i.e., regarding microprudential vs. macroprudential supervision; many of the activities mentioned in the draft are already subject to significant limitation as a part of existing jurisdictional solvency regulation (such as asset concentration and securities lending limits, for example). The holistic framework must recognize existing microprudential supervision and add to it only when necessary. The latter would be more idiosyncratic and for which the framework's monitoring and analysis would seem more appropriate to focus proportional application of supervisory measures. An example of the latter are decisions by individual insurers to underwrite excessive certain levels of cyber risk without appropriate risk mitigation strategies. Fundamentally, cyber and climate risks are just examples where the holistic framework tends to draw in risks that are already covered by other discrete initiatives or microprudential regulation. We appreciate that recognition in the consultation document that "the potential for insurers to play a stabilizing role in the financial markets and real economy should not be ignored" (P 32).
26. CNA	USA	No	**Answer:** Prior to discussing our specific comments, CNA has the following general remarks regarding the establishment of a holistic framework for the assessment of systemic risk: As a firm, CNA has never been designated as systemically important by either its home jurisdiction or the IAIS, therefore we have not been subject to the extensive supervisory oversight requirements such a designation mandates. As a result, we are far more concerned about the expansion of systemic oversight by the IAIS and jurisdictional supervisors to the entire industry than the firms that have been previously designated. As an active participant in the IAIS stakeholder community, we understand better than most similarly situated firms that the existing Entity Based Approach (EBA) has its flaws and needs to be fixed; however, we do not understand why the inclusion of the entire industry is the only means by which to remedy these flaws. This expansion in systemic authority being proposed appears to be derived from an updated interpretation of systemic

			risk based on an IMF, BIS and FSB definition published in 2009. Interpreting systemic risk to include the collective activities/exposures of the entire sector is, in our opinion, overly broad, especially since historically there has never been mass defaults/insolvencies in the insurance industry. In our view, failure to perform is a key component of systemic risk and is linked to a firm(s) failure to perform contractual obligations resulting in a cascading effect of failures on the real economy due to linkages between parts of the financial system. It is difficult for us to understand how an activity can be systemic if a sector can perform its obligations and is in compliance with jurisdictional laws and regulations. If the performance of lawful activities causes harm to the real economy, rules and regulations should be amended on a micro-prudential basis rather than by sweeping supervisory policy measures. It is important to also note that such an expansion of systemic oversight will come at a significant cost to both the industry and host supervisors as well as introducing a tremendous amount of regulatory risk to the entire sector. Such uncertainty regarding what lawful activities could be deemed systemic in the future is counterproductive from a capital markets and product innovations point of view. It is difficult to attract capital to an industry where lawful activities may be retroactively deemed systemic resulting in substantial regulatory actions, including increased capital requirements and [other] transactional limitations. Prior to adopting and implementing this new framework we recommend a robust and transparent cost benefit analysis be conducted by the IAIS with input from jurisdictional supervisors. Since insurance supervisors in most jurisdictions have not performed this type of analysis and assessment previously, we also suggest challenging whether the jurisdictions have the intellectual resources necessary to perform the systemic assessment on an industry wide basis. We also request that this analysis determine if the systemic assessment is going to be performed directly by the supervisor or if the responsibility will be delegated to a third party which is not subject to legislative oversight. From our perspective, such oversight is critical due to the nature of the assessment and its potential impact on the sector and the real economy. If the IAIS chooses to proceed with this framework as currently proposed, we strongly recommend that the concept of proportionality be more fully debated and clearly defined prior to adoption and impletion of this guidance. In a framework where collective activities or business practices of the insurance sector could be determined to be systemic retroactively, having a clear understanding of how the framework will be implemented in practice could help to reduce some of the regulatory risk previously cited in these comments. CNA also has concerns about the aggressive timeline being proposed for adoption and implementation of this new framework, especially since many of the key policy measures for which supervisory judgement will be based are still under development and will not be finalized until after the guidance is adopted by the IAIS in November 2019. The guidance also lacks a clear framework regarding how due process will be conducted during the assessment phase; once an activity is deemed systemic, there is no process for the industry to provide feedback prior to implementation of supervisory actions. We believe the new framework should be completed in its entirety and exposed prior to adoption

			and implementation. Developing guidance after adoption from lessons learned during the implementation seems counter intuitive to us, and potentially causes more harm to the economy than good. CNA questions the inclusion of critical functions as a transmission channel impacting the insurance industry. As highlighted in previous industry comment letters regarding this issue, insurers do not perform any global critical functions, although they may perform critical functions at the local level. If and to the extent that an insurer performs critical functions at the local level, jurisdictional supervisors are best placed to design appropriate policy measures that reflect local markets. The IAIS should focus its attention on global critical functions, which we submit are rare if they exist. Regarding asset liquidation transmission channel it is our belief that this risk is significantly more material for banks and asset managers than it is for insurers. This is the result of insurers' relatively matched books, illiquid liabilities, recurring premium flows and annual repricing, and lower levels of leverage and trading activities. Regarding substitutability, we believe that substitutability (or lack of substitutability) of products is unlikely to pose a material risk in the non-life sector, and does not have a transmission channel to broader financial markets and the global economy. Products offered in the non-life sector offer a high degree of substitutability. Even assuming certain lines are highly concentrated, there is no evidence that failures related to those coverages would cause a market disruption in certain economic quarters, much less a cascading effect across the financial system or widespread liquidity or credit problems. The IAIS seems to suggest that marine and aviation insurance, export credit insurance, and mortgage insurance create substitutability exposure by listing them in Figure 1. As the first two categories are frequently offered a cross-border basis, it seems unlikely that there would be substitutability issues in those lines. It would be helpful if the IAIS explained why it believes those lines create substitutability exposures. CNA acknowledges that under-reserving and underpricing are key risk areas in the financial strength and longer term viability of an insurer but we question whether these risks have systemic tendencies. It is our belief that these risk areas are more appropriately considered in a firm's ORSA rather than a systemic risk framework regarding wide-spread asset liquidations.
27. Liberty M utual Insuranc e Group	USA	No	**Answer:** The proposed Holistic Framework for Systemic Risk in the Insurance Sector (the "Framework") holds promise to be an important and positive step toward the goal of attaining more effective supervision of systemic risk by targeting specific identified activities, rather than designating institutions.

			However, much work remains to add clear definitions and elements to the Framework that interact throughout the Framework's text to assure the Framework remains focused in all instances on identifying only those risks, and activities related to them, that truly present systemic risk to the larger economy or expose the insurance sector to systemic risk. Critical elements and language are missing from the Framework which leave too much room for supervisors to stray significantly from the cornerstone definition of systemic risk. For example, incorporating suppositions about climate risk and cyber risk into a consultation on systemic risk is an invitation to do just that. The IAIS, in its Initial Assessment Methodology for GSIIs in July 2013, expressed a recognition that "neither the long experience of insurance markets nor information arising from the global financial crisis provides any evidence of traditional insurance either generating or amplifying systemic risk within the financial system or in the real economy." That should sound a note of caution concerning the scope of the Framework and provide a key touchstone for its development. The catalogue of potential systemically risky activities engaged in by insurance groups is likely to be limited, narrowly drawn, and non-insurance in nature. Accordingly, the design of the Framework must adhere more closely than it currently does to the FSB's definition that systemic risk is the risk of widespread disruption to the financial system and which can cause serious negative consequence for the real economy. The list of exposures set out in the Framework cannot be reconciled with this definition. Instead, the Framework seems to consider almost every possible solvency risk to be potentially systemically important. Additionally, the Framework does not seem to consider at all whether a practical likelihood exists that a risk which could have systemic impact would ever actually occur. (The use of a category labelled as vaguely as "Other Sources of Risk" (Paragraph 29.d) is particularly troubling and encourages this unreasonably expansive approach.) To correct this, the IAIS should install guardrails within the Framework using tight language that consistently ties exposures, activities, and transmission channels back to the definition of systemic risk. Such guardrails would give clear, focused objectives to the Framework that would result in greater cost effectiveness (such as by utilizing existing data where possible). Perhaps most importantly, such guardrails would lead to the application of policy measures which are proportionate to the materiality or magnitude of the risk presented and that do not unduly impact the normal course of business. Finally, as noted above, discussion of issues related to particular areas of risk such as cybersecurity and climate change have no place in a consultation document intended to develop an effective supervisory approach to identifying all areas

			of potential systemic risk. Though these are undoubtedly important issues for the insurance industry, to put them here would suggest special or different treatment from other risks and activities.
28. Northwestern Mutual	USA	No	**Answer:** Only partially. Greater tailoring is necessary to optimize limited regulatory and company resources. Systemic impacts are most likely where the exposure is susceptible to a sudden, financial market-driven triggering event, and that same triggering market event also results in the exposed financial institutions propagating or amplifying risk back into the financial markets. Only some of the exposures identified in your examples would meet this test. Derivatives and securities lending transactions, for example, may do so. A movement in market values (e.g., interest rate movements or asset valuation movements) might trigger a sudden and substantial need for institutions to post collateral and, if this need were of sufficient magnitude and the affected institutions lacked sufficient liquidity management practices, this could require institutions to sell substantial illiquid assets into the financial markets. On the other hand, the reference in Paragraph 35 to insurance products from which policyholders may withdraw cash is overbroad and requires further clarification. A traditional individual life insurance product supported by an insurer's well-diversified general account investment portfolio, while having cash value that can be withdrawn on surrender or borrowed against, is not highly susceptible to propagating risk into the financial system as a result of a sudden market movement. A sudden and substantial rise in interest rates (i.e., a disintermediation event) can be expected to result in modest increases in surrenders of traditional individual life insurance policies, but life insurers maintain highly liquid assets to manage such events. We do not believe such a possibility merits devoting regulatory resources for systemic purposes. Likewise, historical experience has shown that the potential for a "run" on insurer cash values is largely associated with the idiosyncratic weakness of an individual insurer (as opposed to a market-wide event), and so not likely to be a systemic exposure unless the insurer itself was deemed systemically important. Along the same lines, while climate change and cyber risks are important risks, they are not associated with financial market triggers. Thus, while it is important for regulators and industry to monitor these and other emerging risks, we do not believe they currently make for a good use of limited systemic regulatory resources. We also note a gap in the proposal related to materiality. We appreciate the acknowledgment in Paragraph 31 that, for any risks to become systemic at a global level, those risks would have to be of sufficient size to have potential for global impact. But the Holistic Framework does not propose a mechanism for determining when that materiality threshold is met. This leaves open the possibility that the Holistic Framework may target activities that are unlikely to have globally systemic impact. We suggest that the Holistic Framework be amended to include a transparent methodology for

			deciding on whether a potential area of attention is sufficiently material to justify current efforts, bearing in mind the definition of systemic risk referenced in Paragraph 21.
29. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** No. Specifically "Other Sources of Systemic Risk" lists wide-spread under-reserving without the possibility to reprice risk. While the NAIC agrees that under-reserving and under-pricing are significant risks to financial health of an insurer, and important to monitor from both firm and sector-wide trends, we question whether this rises to systemic concern and particularly the wide-spread asset liquidation reference in paragraph 47. Additionally, while interconnectedness, substitutability and liquidity are key exposures, these focus largely on drivers of the 2008 financial crisis. It is important for the IAIS and its members to equally focus on emerging risks (such as cyber), which may be the source of a future potential crisis. In Section 2.2, the terms "exposures," "risk" and "vulnerabilities" are used, but it is not clear if there is an intended distinction between the terms or if they are interchangeable and the different expressions are merely the result of historical usage. It would be helpful in future IAIS work on this topic to either explain the distinction (if there is one) or else use one term consistently to provide greater clarity.
Q2 Are there any other key exposures that are missing? Please elaborate.			
30. Canadian Institute of Actuaries	Canada	No	**Answer:** Response included in response to question 1.
31. Manulife Financial	Canada	No	**Answer:** Please refer to Question 1 on rehypothecation of collateral.
32. Insurance Authority (IA)	China, Hong Kong	No	**Answer:** In addition to cyber risk and climate risk, significant losses from catastrophe event, for example from pandemic mortality event, is also a key exposure that may have severe impact to the industry.
33. Allianz	Germany	No	**Answer:** We encourage the IAIS to further develop an activities-based approach for insurers, which does not simply combine EBA (failure of an individual insurer) and ABA (failure of a group of insurance institutions that operate in the same market) without changing the current indicator methodology.
34. International Actuarial Association	International	No	**Answer:** Para 35 speaks of there being two main aspects of interconnectedness, macroeconomic and counterparty exposures. The IAA believes the subsequent text in para 36-40 fails to identify one of the key aspects of interconnectedness - the propagation of risk across sectors or within a financial conglomerate due to misaligned incentives. While para 41 makes a brief reference to this aspect of interconnectedness, experience from the last global

			financial crisis (GFC) indicates how important this was for certain insurers. Para 37 speaks only of liability-side macroeconomic exposures. It should be expanded to include the possible build-up of industry significant asset-side exposures due to market/competitive pressures and/or natural but unanticipated industry response to regulatory (e.g. capital) requirements. Two examples affecting life insurers might include the proliferation of mortgage backed securities in the US leading up to the last global financial crisis and more recently the heavy investment by EU insurers in government securities due in part to RBC requirements which then depressed government securities yields. The IAA emphasizes that, in general, insurers have diversified and/or low risk asset portfolios so material systemic risk would most likely to arise only if particular insurers became overweighted in risky, illiquid assets. It is very likely that the next crisis will manifest itself in an unexpected fashion. Even if the exposure is one not previously anticipated, having a developed environmental scanning process can help to identify how the markets are evolving and how the markets are assessing, mitigating and transforming risk and liquidity issues. Such knowledge helps supervisors and market participants to identify potential systemic risk issues at an early stage and design appropriate counter-measures such as improved governance, ERM, improved regulatory and supervisory responses. The IAA will discuss this further in the monitoring questions. We believe that supervisors and the insurance industry alike will benefit from a wide sharing of experiences among all insurance sector practitioners regarding possible new systemic risk issues.
35. General Insurance Association of Japan	Japan	No	**Answer:** No.
36. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No.
37. RAA	United States and many other jurisdicitons	No	**Answer:** General Comments: The RAA has performed significant research to support our position that traditional insurance business is not systemically risky. Instead, general insurance (property casualty or P&C in the U.S.) and P&C reinsurance mitigates financial risks in the general economy. That is its purpose. While we support the IAIS's move to a more holistic approach to evaluating systemic risk than the former entity-based approach, the IAIS and the FSB should keep in mind that despite the overall significance of the insurance industry, the potential for the P&C insurance industry to contribute to or amplify systemic risk in the real economy is small.

			As RAA's research an analysis has shown, the only material source of systemic risk connected to the P&C (re)insurance is the uninsured portion of economic risks in the global economy. In addition, RAA's research clearly demonstrates through stress testing and historical analysis that major failures in the reinsurance industry would not be systemic. It also demonstrates that P&C industry impairments have been miniscule compared to magnitude of impairments in the banking industry. (See RAA Presentation to IAIS Reinsurance Subcommittee and Reinsurance Transparency Subgroup dated July 27, 2011). While supportive of the holistic approach to evaluating systemic risk in the insurance industry, the RAA is concerned that many elements of the approach are only very generally described. The paper raises more questions than it provides answers. The current proposal will lead to uncertainty for both supervisors and industry regarding how these elements will be applied in the future. Specifically, the approach should provide more clarity on: - The appropriate role of the IAIS in identifying activities as risky and of leading the global monitoring exercise; - When policy measures apply and to which insurers; - How the proportionality principle will be applied in practice; - The types of exposures and transmission channels of systemic risk to ensure that they are both plausible and material in the context of the real economy; - Concerns about significant additional industry reporting; - Concerns about adding macroprudential elements to existing entity or group based ICP's and ComFrame; - Adding potentially significant and detailed ORSA requirements (versus guidance) that would result in the ORSA no longer reflect the entity's own view of its risk: and - Analysis of the cost versus benefits of applying several new policy measures to an industry that is inherently non-systemic While supportive of the overall direction of this project, more discussion is needed to ensure that the data collection and policy measures are necessary and proportionate.
38. Prudential Financial, Inc.	United States of America	No	**Answer:** We do not believe the consultation is missing any key exposures.
39. American Property Cas ualty Insuranc	USA	No	**Answer:** We believe that there is systemic risk in societies that have underdeveloped insurance sector, and the IAIS should consider approaching systemic risk from the standpoint of encouraging open, growing insurance sectors in many countries and regions. As we have seen in the example of recent natural catastrophes, when a country is under-insured,

e Association (APCIA)			catastrophic events have a substantially worse effect on those societies and frequently leave governments to respond where private insurance markets otherwise could respond.
40. Northwestern Mutual	USA	No	**Answer:** Yes. For purposes of monitoring developments that could trigger systemic events, it is important not to lose sight of additional, time-tested predictors of systemic instability, where these measures may show substantial build-up of risk from historical norms: increased leverage, decreased capital strength, and increased asset or liability concentrations. Monitoring for such developments (along with substantially decreased liquidity) should be done on a cross-sectoral basis and, where changes from identified historical norms point to potential build-up of global systemic risk, the sources of such risk (which may be insurer activities) should be investigated and remediated by sectoral regulators.
Q3 Is the description of the transmission channels of systemic risk appropriate? Please elaborate.			
41. Insurance Europe	Europe	No	**Answer:** Insurance Europe notes that IAIS describes scenarios leading to transmission to the entire financial system. But the description is purely qualitative, and Insurance Europe would have expected the IAIS to assess whether these scenarios are in fact economically plausible and how the activities of insurers could give rise to/be subject to fragility that could plausibly be a cause of material systemic risk to the global financial system. In order to be systemic, Insurance Europe believes that the risk must be sufficiently material to create the possibility of near-simultaneous failures of multiple financial institutions.
42. Allianz	Germany	No	**Answer:** In general, we appreciate the inclusion of transmission channels in the consultation including the Asset Liquidation and Exposure Channel. We continue to struggle with the inclusion of the Critical Function channel as there is still a lack of substantive evidence that individual insurers perform a critical function to the economy. Furthermore, the description of the transmission channels is only qualitative in nature and we would encourage the IAIS to further develop the definitions including a consideration on the materiality of the channel for systemic risk.
43. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** The descriptions of the transmission channels is appropriate. However, the list of insurance segments that could cause substitutability issues may require more analytical work going forward. We acknowledge those were and still are the categories within the G-SII methodology, but since the IAIS will move to a broader market monitoring, we believe it is an opportunity to gather more information on all segments within the insurance sector. That information can form the basis to further develop the view on substitutability and how this may potentially also vary over time and economic conditions.

44. Global Fe deration of In surance Asso ciations	Global	No	**Answer:** GFIA notes that IAIS describes scenarios leading to transmission to the entire financial system. But the description is purely qualitative, and GFIA would have expected the IAIS to assess whether these scenarios are in fact economically plausible and how the activities of insurers could give rise to/be subject to fragility that could plausibly be a cause of material systemic risk to the global financial system. In order to be systemic, GFIA takes the view that the risk must be sufficiently material to create the possibility of near-simultaneous failures of multiple financial institutions.
45. Institute of International Finance	Global	No	**Answer:** The IAIS has identified three main transmission channels of systemic risk: asset liquidation, macroeconomic or counterparty exposure channels, and critical functions. We acknowledge that systemic risk can be propagated to the global financial markets or the real economy through sudden and significant asset liquidations. However, we believe that, in general, the asset liquidation transmission channel is significantly more material for banks and asset managers than it is for insurers, as a result of insurers' relatively matched books, illiquid and long-dated liabilities, recurring premium flows and annual repricing, contractual disincentives for policyholders to redeem contracts, and lower levels of leverage and trading activities. The example of systemic risk transmission via the counterparty exposure channel arising from derivatives contracts (Paragraph 55) should focus on the provider of the derivatives product, rather than the end user that generally employs derivatives to hedge liability positions. A focus on the end user could disincent sound risk management through hedging. It is incumbent upon the provider of derivatives products to mitigate counterparty risk. The assessment of potential systemic risk related to derivatives transactions and the development of policy measures to address that risk should also reflect the considerable recent enhancements to the derivatives markets designed to reduce the potential for systemic risk arising from these activities. (These enhancements are discussed in Paragraph 103.) We continue to question the importance of the critical functions transmission channel. It could be argued that insurers do not perform any global critical functions, although they may perform critical functions at the local level. If and to the extent that an insurer performs critical functions at the local level, jurisdictional supervisors are best placed to design appropriate policy measures that reflect local markets. The IAIS should focus its attention on global critical functions, which we submit are rare if they exist at all. With respect to the interruption of insurance services referenced in Paragraph 57, the substitutability indicator of systemic risk is not as relevant to the insurance sector as it is to the banking sector. We do not necessarily agree with the statement in Paragraph 42 that substitutability is a "key" concern. The potential systemic impact related to the interruption of insurance products or services should recognize that, when a disruption occurs (e.g. large catastrophe losses), prices have a tendency to harden due to lower capacity and increased risk premiums, and increased premiums

			attract new sources of capital from both traditional insurers and alternative providers. When an insurer withdraws from or reduces its participation in a market or line of business, other insurers and market participants fill the void and, in this respect, insurance markets are self-correcting. In the rare case that insurers leave a market completely, it is likely due to the fact that the market is no longer sustainable.
46. International Actuarial Association	International	No	**Answer:** No. Systemic risk can be formed through the propagation of risk due to misaligned incentives across financial sectors and/or between companies in a financial conglomerate. Systemic risks can be passed to certain insurers from the other financial sectors (e.g. as happened in US mortgage lending and subsequent coverage by mortgage insurers) as well as from insurers to the other financial sectors (e.g. securitization of longevity risk). Neither the text in 2.3 nor the diagram in 2.3.4 (red arrow flows in just one direction, away from insurers) make this distinction. A slightly different circumstance which could be relevant is where insurers are unwilling to provide insurance to a certain sector of the market at a price that the potential customers are willing to pay, or can afford, due either to increased uncertainty of the risks involved or an absolute increase in the risk. In addition, as already referenced in the IAA response to Q1, paragraphs 53-57 and Figure 1 fail to include the potential for systemic risk arising in a jurisdiction during a financial crisis due to mass defaults from credit insurance counterparties and surety bond principals. Such systemic losses can be a significant strain for monoline insurers. While Figure 1 references export credit insurance, it should also include domestic credit insurance and surety bonds. During the last GFC some markets experienced significant losses to the real economy which also cause stress to credit insurers and surety bond providers. The IAA also suggests that the last paragraph (lack of available insurance coverage) is an example of a country specific risk rather than a global systemic risk issue. It would not likely be a source of systemic risk to financial markets. Such a situation may have a major impact on a local economy, but it is unlikely to have an impact on global financial markets. For example, if flood insurance costs would lead to abandonment of a flood plain, or fire insurance costs lead to disruption in the market for housing in high fire hazard areas, it would unlikely cause financial market system risk. Impacts on classes of assets can have a far broader impact than those dealing with a more limited geographic area. In a similar fashion, the IAIS discussion of "critical functions" with regard to Question 3, implies that catastrophe coverage or the like might be a critical function. To the extent that the supply of insurance disappears for a material portion of global financial markets in a short period of time, then it may be. The catastrophe example may not be an

			appropriate one. If the disruption is "highly concentrated" geographically then it is highly unlikely to be globally systemic. It has to be highly concentrated globally to be globally systemic, and this should be clarified in paragraph 57.
47. General Insurance Association of Japan	Japan	No	**Answer:** Yes.
48. American Council of Life Insurers	Office of General Counsel	No	**Answer:** ACLI believes that the only two key transmission mechanisms (channels) for systemic risk in insurance are: (1) Asset Liquidation; and (2) Counterparty Risk Exposure. The other transmission mechanisms identified in the Consultation (macroeconomic exposure and critical functions) are in ACLI's view misplaced.
49. State Secretariat for International Finance	Switzerland	No	**Answer:** It is very useful to separate the concepts of exposures to risk on one side and transmission channels on the other side. However, the macroeconomic exposure in paragraph 53 and 54 is not straightforward. The macroeconomic exposure, in the first place, is a risk to the insurer. The insurer faces many more risks; each of them can bring him into derisking activities. As the core channel mentioned in paragraph 54 is the funding of financial firms, which would suffer under derisking of the insurer, the macroeconomic exposure does not contribute more than anything else does. Hence, it should not be specially mentioned as a transmission channel.
50. Swiss Re	Switzerland	No	**Answer:** We appreciate that the IAIS now recognizes that systemic risk in insurance can only materialize if transmission channels are associated with activities to transfer risk to financial markets and the real economy. We believe that the proposed transmission channels are largely appropriate. We would however encourage the IAIS to redefine the "exposure channel" as the "asset concentration" channel: the nature of these exposures may become systemic only when insurers have common asset concentrations (including, but not limited to specific counterparties), beyond a critical threshold. It is imperative that the IAIS differentiates between sources or amplifiers of systemic risk and recipients of systemic risk. Insurers may be exposed to risks by means of investment classes that are indispensable to insurance companies. Insurers are especially reliant on investments in fixed-income and often long-dated securities, bond and interest rate derivatives, as well as foreign currency instruments in order to offset long-term technical provisions for their asset-liability matching. Because insurers are bound to be dependent on the capital markets, they cannot avoid developments in the financial markets. Moreover, the measures to mitigate adverse developments are few. Contagion from the financial markets is a possible threat; and while resilience of insurers/the insurance sector is important, potential systemic risks are best addressed at the source. We do not believe that critical functions are a material transmission channel of systemic risk in insurance, given the

			functioning of the insurance market. The critical functions channel can only be relevant when significant barriers to entry inhibit new participants from entering a particular market or a particular line of business. We therefore suggest to re-label "critical functions" into "critical functions with barriers to market entry (and exit)". Lastly and importantly, we do not believe that the market for catastrophe coverage is as concentrated as stated in para. 57.
51. Lloyd's of London	UK	No	**Answer:** We agree that exposures need a means of causing "contagion" in the wider economy in order to be systemic. A problem with considering such transmission channels under a different heading is that, in most cases, they are the same as the exposures themselves. Features which enable transmission of financial stress are also those which lead to identification of the exposure in the first place. For example, "counterparty exposure" is discussed as both an exposure and a transmission channel but cannot be easily separated into constituent parts for this purpose. We think that this reiterates the case for a more detailed analysis of systemic risk in the insurance sector, based on experience of financial crises in the real world.
52. National Association of Mutual Insurance Companies	United States	No	**Answer:** See GFIA response.
53. Prudential Financial, Inc.	United States of America	No	**Answer:** Generally, we believe the description of the liquidity risk transmission channel seem appropriate. With respect to macroeconomic exposure, we reiterate our view that the identified concerns are redundant to the liquidity exposure and should not be identified as a distinct transmission channel of systemic risk. In addition to the points noted in our response to question 1, the location of paragraph 52 within the consultation (i.e., part of the asset liquidation section) further demonstrates that concerns over common macroeconomic exposures across the industry ultimately are based on the perceived potential that they could lead to simultaneous asset sales (i.e., liquidity related exposures and risk transmission). In addition, the concern raised in paragraph 54 (reduced funding from the insurance sector) must be further substantiated as it is not supported by the experience during the Great Financial Crisis, where insurers continued to provide funding despite extreme market turmoil. It also places undue burden on the insurance sector to address risks of the banking sector, which should be subject to similar requirements for contingency funding plans, recovery plans, etc. as proposed for insurers through the suggested enhancements to the ICPs and ComFrame.

54. AIG	USA	No	**Answer:** The proposal rightly recognizes that a risk exposure only has systemic impact if propagated through a transmission mechanism to the broader global financial system and real economy. Asset liquidation and exposure are viable mechanisms to consider. However, unlike banks - which play a central role in market-making, the provision of credit, and the payments system - insurers do not provide comparable critical functions whose disruption would materially impact the broader international economy and financial markets. As is demonstrated through historical experience, capital flows freely across Lines of Business. Market shares are dynamic, barriers to entry are low (n.b., commercial distribution is not a barrier to entry because of the broker model and outsourced distribution), and the insurance industry can quickly expand and contract with new capital, depending on returns. The exit of a major provider or erosion of the stock capital base (e.g., following natural catastrophes) has historically created opportunities for new entrants, albeit typically at a higher price point - which is exactly how an efficient market should respond. Additionally, in the event of such an exit, policyholder protection schemes help to limit adverse impacts on insurance coverage.
55. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** Many of the transmission channels seem substantially less relevant to non-life insurers as compared to other sectors such as banking, or other types of insurers. We encourage the IAIS to differentiate between those transmission channels that are relevant to different types of insurers. We believe that the critical functions concern is not relevant to the non-life insurance sector. In jurisdictions with competitive insurance markets, there is a high degree of substitutability, and market disruptions are unlikely where there are low barriers to entry. We believe the holistic framework's cross-sectoral analysis should support these points and include them as guidance for supervisors.
56. Northwestern Mutual	USA	No	**Answer:** The transmission channels identified all have the potential to propagate or amplify systemic risk if coupled with an exposure and triggering event of sufficient magnitude. To optimize supervisory and industry resources, we suggest that the Holistic Framework be amended to more tightly associate the "transmission channels" with the "exposures", to place the focus on market-driven exposures that are most likely to result in systemic risk. As noted in our response to Question 1, systemic risk is most likely where an exposure is susceptible to a sudden, financial market-driven triggering event, and that same triggering market event also results in the exposed financial institutions propagating or amplifying risk back into the financial markets.
Q4 Are any key transmission channels missing? Please elaborate.			

57. Manulife Financial	Canada	No	**Answer:** It is worth mentioning that asset liquidation has a strong tie to investor sentiment and market behaviour. A large sudden asset liquidation, or a (perceived) failure of large insurers could negatively impact investor sentiment and cause investors to panic. In such situation participants in the capital market have a strong desire to preserve cash, including entities experiencing no financial difficulties, further diminishing liquidities from the market, for most asset classes and individual securities.
58. International Actuarial Association	International	No	**Answer:** The crises due to AIG's credit default swaps, and to Long Term Capital's investments, arose due to high levels of interconnectedness with global implications. In other words, a large number of financial institutions relied on a single counterparty. This is discussed somewhat in paragraph 55, but the discussion about interconnectedness could probably be strengthened.
59. General Insurance Association of Japan	Japan	No	**Answer:** No.
60. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No.
61. State Secretariat for International Finance	Switzerland	No	**Answer:** Section 2.2 rightly mentions cyber risks as a key exposure in the insurance sector that may lead to a systemic impact. Section 2.3 could be enhanced with a corresponding transmission channel. For cyber risks, that channel is the vulnerability of digital systems. Cyber risk is a systemic risk because the IT systems of many insurers are similar or even the same. Therefore, a cyber-event may threaten the operations of a large number of insurers, because of the lack of diversity. If the system of one insurer shows a security flaw, many others will probably suffer from the same attack. In this respect, the transmission channel to cyber risks has the same characteristics of the exposure channel for macroeconomic exposure, where a number of insurers are invested in similar assets or are exposed to the same macroeconomic events. An insurer can reduce the systemic component of cyber risks, if his IT systems are different from mainstream systems. Of course, this comes at the cost of reduced interoperability.
62. Prudential Financial, Inc.	United States of America	No	**Answer:** We do not believe any key transmission channels are missing.

Q5 Are there any further considerations on Section 2? Please elaborate.			
63. CLHIA	Canada	No	**Answer:** The CLHIA commends the IAIS for their initiatives to continually improve policies to identify potential sources of systemic risk and policy measures to mitigate potential impacts of systemic risk on global financial stability. We appreciate the ongoing opportunity to provide input to the IAIS. This submission follows the one we made to the IAIS in February 2018 under the public consultation on the Activities-Based Approach. During the consultation period for this consultation, the CLHIA closely monitored the evolving perspectives and positions of insurers and trade associations globally, notably the Global Federation of Insurance Associations ("GFIA") of which the CLHIA is a member. Accordingly, our submission is not repeating technical detail in other stakeholder submissions. Rather our submission focuses on key messages, categorized into I. High Level Perspectives (through answering Question 7) II. Monitoring Period / Phase-In (through answering Question 35) III. Timeline (through answering Question 64)
64. Manulife Financial	Canada	No	**Answer:** 1. While we agree on the definition of liquidity risk, we note that some sections of the Liquidity Risk Management Annex could be better addressed through Credit Risk Management. For example, risk appetite/ limits on asset concentrations, counterparty type, single counterparty, etc., are better addressed under credit risk. Excessive concentrations of assets to a given name pose primarily a credit risk that could give rise also to a liquidity risk as a second-order impact. Given the related but the second-order nature of liquidity risk, we recommend including wording to suggest some part of the liquidity risk management could be addressed via other risk categories as part of the enterprise risk framework. 2. The document focuses excessively on cash flow projections to assess potential vulnerabilities. Based on our experience, cashflow/ duration/ partial duration matching is best managed within the interest rate risk management framework, where the focus is long term management of the business and investment strategies. Liquidity risk management should focus on short to medium time horizons. Within such time profile, cashflow projection does not provide the level of accuracy needed for liquidity risk management. Most insurance liability assumptions are not sufficiently granular for this purpose (e.g. assumptions follow annual timestep, or assumptions are grouped into 3~5 years). In addition, insurers are not typically exposed to liquidity needs based on their best estimate assumptions. Rather, insurers are exposed to sudden stress events, precisely as listed under the Liquidity Stress Testing section. Therefore, we suggest removing or softening the writeup pertaining to the use of flow projections.

			3. We found the Annex to be overly prescriptive and bank-centric. We believe that more effective supervision guidance would focus on risk management principles for liquidity management for insurers. Companies Insurers can then exercise judgement and reflect local capital market characteristics in setting up the appropriate Liquidity Risk Management framework. Below are some examples of excessive supervisory specificity: a. Classification of assets into Tier 1, 2, 3 categories based on their liquidity profile and their treatment within the liquidity buffer: We believe that each insurer should consider liquidity of their assets within the constraints and depth of local markets. b. Specification of three-time horizons, and even more/ longer than 1-year for insurers with longer-term liabilities: We agree that it makes sense to monitor liquidity risk under multiple time periods, but the selection of specific time periods should be addressed by insurer's liquidity risk management program, rather than be prescribed by the regulator. Also, liquidity time horizons beyond one year are too long as liquidity issues are shorter-term phenomena. Beyond one-year, we would argue that challenges shift away from liquidity to capital. c. Proposal to exclude demand deposit and instruments issued by Financial Institutions (FI) in calculating liquidity buffer: We strongly disagree with this proposal since: (i) unless an FI is in a default position, it remains obligated to pay back the investor at maturity of the short-term security, and (ii) for long term instruments, while we appreciate the need for haircuts, there is no evidence to support FI assets are completely illiquid. d. Annex states that "Given the inherent uncertainty… the insurer should maintain a liquid asset buffer, including haircuts, sufficient to cover the greater of net cash outflows and 25% of stressed cash outflow." This prescribed rule is interpreted as a binding requirement. However, paragraph 161 says liquidity metric is to be used as a monitoring tool and not a binding requirement.
65. Insurance Europe	Europe	No	**Answer:** The inclusion of the "Other" category in Figure 1 on page 5 is a concern, as this would include: underreserving risk (which is already micro-regulated), cyber risk (not yet assessed, see Paragraph 45), climate risk (not yet assessed, see Paragraph 48) and other items not yet identified.
66. Allianz	Germany	No	**Answer:** A clear-cut link between transmission channels and the quantitative assessment of systemic risk seems to be missing. In addition, the inclusion of cyber risk and climate risk seems premature given the unspecified nature of those risks and the limited experience with related products. Furthermore, concerns regarding potential under-reserving is covered by micro-prudential regulation and should not be covered here
67. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Looking at the chart at the end of the section, we think this is a helpful element to be maintained and potentially further extended. We acknowledge that such a stylised summary cannot replace the detailed explanation of the different elements (similar to an overview of the proposed policy measures that was shown to stakeholders in Moscow), but it is still important to condense the concept into brief summaries. Next to that, the IAIS should consider working on an overview with examples for the different activities that could be seen as systemic. In our view it is useful to maintain a

			living document that obviously cannot be exhaustive in nature, which would contain activities with an appropriate description that are considered systemic under certain circumstances.
68. Global Federation of Insurance Associations	Global	No	**Answer:** The inclusion of the "Other" category in Figure 1 on page 5 is a concern, as this could include: under-reserving risk (which is already micro-regulated), cyber risk (not yet assessed, see Paragraph 45), climate risk (not yet assessed, see Paragraph 48) and other items not yet identified. GFIA cites recent EIOPA reporting on 2018 insurance group stress testing, supporting the premise that multiple natural catastrophes do not pose significant systemic risk due in large part to the reinsurance mechanism designed to spread risks in this situation. GFIA is of the view that the "other" category, including activities whose impact on systemic risk are either widely addressed by current microprudential regulation of insurers or are qualitatively and quantitively ill-defined, should be eliminated from the consultation draft.
69. International Actuarial Association	International	No	**Answer:** One concept not covered in the Consultation Document is that for longer term risks, a longer time horizon can be a risk mitigant, as long as short term solvency is not at risk.
70. General Insurance Association of Japan	Japan	No	**Answer:** As we commented on Q1, when judging whether a certain exposure can be a source of systemic risk, factors such as its size and the status of its global activities should be taken into consideration. As stated in paragraph 26, assessment of the cross-sectoral dimension of systemic risk is very important, and in particular, the fact that the dimension of systemic risk in the insurance sector is smaller than that of the banking sector should be noted. Regarding potential systemic risk that may simultaneously occur in both the banking sector and the insurance sector, developing and assessing common indicators and implementing policy measures are important. On the other hand, the dimension of the banking sector and the insurance sector and their activities are significantly different. Also, treating them the same in terms of data collection related to risk and policy measures may be an excessive limitation that will impede the sound development of the insurance sector. For the above reasons, unfairness in data collection frameworks and policy measures should be avoided by cautiously taking the differences in the sizes and main activities of the banking sector and the insurance sector into account.
71. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No.
72. Lloyd's of London	UK	No	**Answer:** Paragraph 36 identifies "common exposures to macroeconomic risk factors across institutions" as a potential source of systemic risk. It is worth considering the extent to which national and international regulation and supervisory actions contribute to such common exposures, by encouraging regulated undertakings to adopt similar approaches to solvency and financial exposures.

73. Association of British Insurers	United Kingdom	No	**Answer:** The inclusion of the "Other" category in Figure 1 on page 5 is a concern, as this would include: (1) under-reserving risk (which is already micro-regulated); (2) cyber risk (not yet assessed, see Paragraph 45); (3) climate risk (not yet assessed, see Paragraph 48); and (4) other items not yet identified.
74. National Association of Mutual Insurance Companies	United States	No	**Answer:** See GFIA response.
75. RAA	United States and many other jurisdicitons	No	**Answer:** In the Critical functions discussion of section 2.3.3, we do not agree that catastrophe coverage, marine or aviation lines represent any material concentration risk arising from lack of substitutability. We have not studied the export credit market or mortgage guarantee business but suspect they may be similar. EIOPA reported in 2018 that multiple natural catastrophes do not pose systemic risk because the reinsurance markets are effective in spreading these risks, both among a well-diversified traditional reinsurance market and the ILS and capital markets. RAA's extreme scenario stress test in 2011, reached the same conclusion (see above). The idea that interruption of insurance services may have a systemic impact to the real economy appears unlikely.
76. AIG	USA	No	**Answer:** AIG views the ABA as a more effective and efficient public policy construct than the EBA. The proposed holistic framework rightly emphasizes the pivotal and comprehensive role that a credible ABA can play in identifying, assessing, and mitigating potential systemic risk in the insurance sector. The advent of the ABA also promotes greater alignment with the Financial Stability Board's approach to addressing potential systemic risk within the asset management sector. As the ABA is further developed and implemented, we anticipate that the elements of the EBA that remain in the current proposal will diminish in role and relevance. The inclusion of policy measures that address counterparty exposure, a transmission mechanism typically associated with the EBA, is sufficient to make the holistic framework a comprehensive approach encompassing both the "domino" and "tsunami" dimensions of systemic risk propagation.
77. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** We support the statement in paragraph 59 of the Consultation Document, that "the illustrative examples of activities do not necessarily, on their own, represent systemic concerns" and that "the actual exposure to the mentioned vulnerability depends on how such an activity is managed" perhaps "becom[ing] a systemic concern only under certain circumstances, for instance depending on the overall state of the financial markets or the manner in which the activity is conducted by a company." These points are key to applying the holistic approach and need to be further emphasized to provide supervisors with knowledge and appropriate context to evaluate proportionality in the specific context of systemic risk. See also our response to Q12 and Q13.

78. Northwestern Mutual	USA	No	**Answer:** While it is worthwhile for the IAIS to anticipate potential sources and transmission channels for systemic risk, we continue to caution against becoming overly granular in this effort, lest the IAIS place the cart before the horse. We believe that cross-sectoral monitoring of time-tested high-level indicators of potential increasing systemic risk against historical benchmarks should be the first step. Then, in the event that an indicator of increasing systemic risk is identified (for example, an increase in leverage compared to historical norms), sectoral authorities should evaluate the sources and potential transmission of that risk. In this way, limited supervisory and company resources can be conserved and focused on identifying and addressing emerging threats to financial stability, recognizing that the specifics of future crises are likely to differ from past crises.
79. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** The NAIC questions whether substitutability or lack thereof in Marine and Aviation insurance is a valid example of a systemic exposure. Also see response to Question 1 on under-reserving and under-pricing.
Q6 Do you agree with the proposed scope of application and of the practical application of the proportionality principle as described above? Please elaborate.			
80.		No	**Answer:** No **Comment:** Basically, I agree with the practical application of the proportionality principle in on-going supervision and proactive intervention. But the document focuses only on systemic risks. Actually, policy measures considered in this document may also be proportionately applied to insurers without any systemic concerns. For example, when dealing with troubled insurers which carry no systemic risk, many proactive intervention measures considered in this document could still be used in a proportionate manner to effectively and efficiently tackle the crises of insurers. Policy measures in this document logically are not only for dealing with systemic crises. Actually, just as this document mentions, given common exposures, all insurers may be involved in systemic risks. This, from another angle, also tells that policy measures are suitable for all insurers. And what measures regulatory authorities would take in a specific case will depend on the discretion of regulatory authorities.
81. Canadian Institute of Actuaries	Canada	No	**Answer:** Yes **Comment:** The paper correctly introduces the proportionality principle in many of its approaches. We believe the impact of these segments can be improved as follows: • Definition of proportionality: We recognize that different interpretation and application of the proportionality principle

			exist in different sectors and regions. We believe the paper should include a definition of the proportionality principle for the purposes of systemic risk. Of note, the proportionality principle would be applicable even in large markets, where these markets are highly fragmented such as is the case with the property and casualty insurance market in Canada. • Identification of companies to be considered in systemic risk monitoring: In the simplest of definitions, insurers with very small exposures of the referenced risk may be excluded from any data collection and any analysis; however, these companies may be affected, and they may be less prepared to deal with these risks than others that have recognized and mitigated these risks. The inclusion of these smaller insurers may alter the assessment of exposures of the market in general to the referenced risks. It is difficult to draw conclusions on the impact these smaller insurers can have on the analysis or the impact of the risk on the smaller insurers without better understanding the approach the IAIS will take on monitoring and supervision.
82. Insurance Authority (IA)	China, Hong Kong	No	**Answer:** Yes **Comment:** The new holistic framework is intended to cover a broader range of entities, not just those firms currently designated as being systemically important (G-SIIs), with ongoing review and monitoring by the IAIS to ensure consistency in implementation by supervisors. As the Insurance Authority, China Hong Kong is the home group-wide supervisor for some large internationally/Pan-Asia Pacific groups, we support the above aims and intended approach of the IAIS.
83. Insurance Europe	Europe	No	**Answer:** No **Comment:** Considering the summary of policy measures in table 2 (page 41), it is clear that the IAIS pursues the generalisation of policy measures designed for the G-SII, to make them “applicable to the supervision of all insurers within a jurisdiction, including International Active Insurance Groups (IAIGs).” Insurance Europe would emphasise that extending some of the measures that currently only apply to G-SIIs to a broader portion of the insurance sector means that the idea of proportionality and the consideration of cost and benefits aspects become crucial, given the extremely low systemicity of the insurance sector. At this stage, it remains very unclear which measures would apply to which insurers and under what circumstances. Insurance Europe would like to know what “applicable” means. Insurance Europe emphasises that the ICPs can achieve their aims only if they are implemented consistently across jurisdictions and believes that guidelines on this issue would be helpful. In considering the scope of the application of policy measures, the IAIS should distinguish between: • those measures that are reflective of good practice, which should be approached in a

			proportionate manner given the nature of insurers' business and very low likelihood of potential contribution towards systemic risk (for example, managing counterparty exposures as part of ERM); and • those measures with more limited scope, such as resolution, which should only be applied where it can be demonstrated that there are material risks to the global financial system.
84. Allianz	Germany	No	**Answer:** Yes **Comment:** We welcome the approach of the Holistic Framework to extend globally consistent policy measures to a larger group of IAIGs and to move away from the designation of G-SIIs.
85. Bundesan stalt für Finan zdienstleistun gsaufsicht (B aFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** The way the consultation document uses proportionality is generally appropriate. However, the IAIS may consider elaborating more in detail on this in their application papers going forward. For systemic risk some general guidelines should be developed to allow for a similar reaction by supervisors to a build-up of systemic risk. Different to the G-SII policy measures that were designed to be a fixed set of measures for all designated firms the new frameworks works with a more flexible approach. Using a differentiation between an implementation of measures within in ComFrame and ICPs is a good way forward. Using ComFrame as a basis for a more automatic application of some measures allows to capture significant parts of the insurance sector. However, the internationality criteria may exclude firms that have significant exposures from the automatic application of some measures. This means that the measures should be implemented in a way that also those firms would be covered on ICP level. Referring to the above, the application papers should take those considerations into account and develop an approach that ensures a consistent application. Without consistent application of policy measures it is difficult to address systemic risk stemming from numerous insurers across borders in an effective way.
86. Global Fe deration of In surance Asso ciations	Global	No	**Answer:** No **Comment:** GFIA does not take the view that any insurance group or entity, by itself, poses systemic risk to the broader economy. As such, no insurance group or entity should be designated as requiring enhanced regulatory supervision. GFIA supports the IAIS recognition of this fact and the FSB's decision to refrain from the identification of G-SIIs in 2018 and potentially suspend the process until 2022. GFIA notes that much of the EBA infrastructure is retained in the consultation document despite significant overlap

			between the risk exposures and transmission channels that underpin EBA and ABA. As such, GFIA calls on the IAIS to take further steps to eliminate this redundancy, thereby avoiding needless costs on supervisors and insurers without any improvement in the ability to assess or mitigate global financial stability concerns. GFIA welcomes the statement on proportionality, and is of the view that it is critical that supervisors carefully weigh the burdens and likely benefits of any new/additional regulatory tools. GFIA would urge that the concept of proportionality figure more prominently throughout the Consultation. Considering the summary of policy measures in table 2 (page 41), it is clear that the IAIS pursues the generalisation of policy measures designed for the G-SII, to make them "applicable to the supervision of all insurers within a jurisdiction, including International Active Insurance Groups (IAIGs)". At this stage, it remains very unclear which measures would apply to which insurers and under what circumstances. In considering the scope of the application of policy measures, the IAIS should distinguish between: i) those measures that are reflective of good practice, which should be approached in a proportionate manner given the nature of insurers' business and very low likelihood of potential contribution towards systemic risk (for example, managing counterparty exposures as part of ERM); and ii) those measures with more limited scope, such as resolution, which should only be applied where it can be demonstrated that there are material risks to the global financial system.
87. International Actuarial Association	International	No	**Answer:** Yes **Comment:** However, one possible distinction in the application of proportionality to systemic risk measures is that some measures targeting specific aspects of systemic risk will be best applied to all insurers, regardless of size (e.g. limits on asset classes or types of insurance products etc). On the other hand, other measures may well be focused on insurers/groups/conglomerates that are more complex and require more detailed study of interconnectedness (for example).
88. General Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** Though we agree with them, the following points should be noted: Making all insurers/groups including small and medium-sized insurers subject to regulations on systemic risk may place an excessive burden on them. Therefore, we think that there is a need to screen which insurers/groups should be subject to supervision according to the proportionality principle, and that the development of certain standards is necessary for the purpose. We support adjusting the degree of supervision depending on the circumstances of the sources of systemic risk each

			insurer has by applying the proportionality principle. However, sufficient attention should be paid in order to avoid placing an undesirable effect on the business of insurers, such as a lack of fairness between insurers in different jurisdictions as a result of each supervisor´s discretion in each jurisdiction. In addition, the special characteristics of the insurance business, such as risk management including ALM, should be taken into account to keep the playing field level compared with other industries. Specifically, a certain level of guidelines or the IAIS´s points of view should be expressed.
89. The Life I nsurance Ass ociation of Ja pan	Japan	No	**Answer:** No **Comment:** In the LIAJ's understanding, in comparison with the banking sector, which provides critical function in the financial system such as settlement function through interconnected network of financial institutions, main function of the insurance sector is generally to underwrite insurance risk which is not correlated to financial market risk and systemic risk intrinsic to the insurance sector has relatively less significance; therefore the policy measures applied to the insurance sector should be eased proportionally. It might be overregulation if policy measures of the same kind and level as those applied to existing G-SIIs for risk supervision of entity's bankruptcy are applied under the holistic framework . When applying policy measures, as stated in paragraph 66, we strongly note that it should not be applied extensively beyond its necessity, but it should be applied only if policy measures are commensurate with risks. Since policy measures give a huge impact to insurers' business, it should need more detailed analysis, and it should be ensured that insurers have predictability for the future applying.
90. American Council of Lif e Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** ACLI supports a focus on activities that can be sources of systemic risk, and may, through transmission mechanisms, adversely affect the broader economy. ACLI does not believe that any insurance group or entity, by itself, poses systemic risk to the broader economy. As such, no insurance group or entity should be designated as requiring enhanced regulatory supervision. We support the IAIS recognition of this fact and the FSB's decision to refrain from the identification of G-SIIs in 2018 and potentially suspend the process until 2022.
91. State Sec retariat for Int ernational Fin ance	Switzerland	No	**Answer:** No **Comment:** Application: ComFrame Standards should not be applied to non-IAIGs. Measures to be applied to certain non-IAIG in certain circumstances must be in the ICPs rather than in ComFrame.

			Proportionality: According to the Introduction to ICP and ComFrame is restricted to the translation of Standards into the jurisdiction's supervisory framework in a manner appropriate to its legal structure, market conditions and consumers. There should be room to enhance the notion of proportionality from those aspects to the size, complexity and importance of the insurer concerned. In other words, there is not only the proportionate translation of ICP into local regulation, but also the proportionate application of jurisdictional regulation to a given individual insurer – well still guaranteeing equal treatment where necessary. While paragraph 67 alludes to that second type of proportionality, the definition referenced to in paragraph 66 does not.
92. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** We generally agree with the proposed scope of application and of the practical application of the proportionality principle as described. We note however that the IAIS will significantly need to emphasize implementation monitoring to ensure the consistent application of proportionality across its member jurisdictions. The aim to eliminate the binary approach to the application of policy measures as stated in para. 67 is commendable. At the same time, we would caution the IAIS not to do so at the expense of inadvertently introducing other cliff effects (see our comments to Q59 for instance).
93. Aegon NV	The Netherlands	No	**Answer:** Yes **Comment:** Aegon supports the premise of the holistic framework, namely that, as public policy, systemic risk in the insurance sector is better addressed a proportionate approach targeted to a broader application of the insurance sector rather than a binary approach targeted to a small group of insurers. We also support the implementation of the holistic framework through the ICPs and ComFrame (paragraph 66). For example, for recovery plans and liquidity plans, we recommend application to internationally active insurance groups and, on a proportional basis, insurers that are active in domestic markets.
94. Lloyd's of London	UK	No	**Answer:** No **Comment:** Paragraph 67 potentially envisages the broad application of supervisory measures to the insurance sector as a whole. This is troublesome, particularly in view of the lack of clarity over the nature of systemic risk in section 2 of the paper and its extension to a wide and undefined category of "other sources of systemic risk" in section 2.2.3. The apparent intention to apply supervisory measures to tackle so-called local and national systemic risk and the blurring of the line between macro- and micro-prudential measures raises questions of whether additional supervisory measures are necessary, or whether such exposures can be adequately dealt with by existing supervisory tools. The case has still to be made for additional supervisory measures to deal with systemic risk below the global level.

			In these circumstances, application of the proportionality principle is essential. Since it looks at the nature, scale and complexity of activities, this would tie actions to address systemic risk back to size, either of individual institutions or of outcomes. In general, proper application of the principle of proportionality should not lead to the application of ComFrame standards – drawn up explicitly for groups with international presences – to insurers outside the scope of ComFrame.
95. Association of British Insurers	United Kingdom	No	**Answer:** No **Comment:** The ABI notes the IAIS's confirmation in Paragraph 67 that "in the holistic framework, supervisors are expected to extend certain ComFrame standards beyond IAIGs to other insurers as necessary".
96. National Association of Mutual Insurance Companies	United States	No	**Answer:** No **Comment:** NAMIC differs from GFIA in response to this question. We agree that proportionality is a critical part of the CD and that there is inadequate detail about what proportionality entails. However, at the stakeholder event on January 15 the working group reported that the reason for the lack of detail was because the working group intended jurisdictional supervisors to develop their own definition of proportionality. NAMIC believes that the intent stated at the meeting should be clearly set forth in the CD and in any proposed revisions to the ICPs so there is no question about the intent. We also strongly assert that any collective industry impact is not a matter to be addressed as part of a systemic risk assessment, but should be handled in the ordinary course of ICP development and within local jurisdictions as part of law-making and regulation promulgation process. Any activity that should be limited or restricted effecting all insurers is not a matter for emergency or immediate action by any organization without full due process.
97. RAA	United States and many other jurisdicitons	No	**Answer:** Yes **Comment:** The RAA supports the inclusion of the statements about proportionality in paragraph 66. We think that application of proportionality in the policy measures is vital and deserves further elaboration. Proportionality should be considered both in the evaluation of the exposure and the exposures' potential materiality to the real economy on an absolute basis when determining potential policy measures and the intensity of supervision. This concept is critical to ensuring the costs of additional systemic risk supervision are commensurate with the benefits associated with minimizing insurance generated systemic risk.

98. Prudential Financial, Inc.	United States of America	No	**Answer:** Yes **Comment:** We agree with the proposal to proportionately apply policy measures across the broader insurance sector through modifications to the ICPs and ComFrame.
99. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** No **Comment:** If the systemic risk measures are to be applied beyond G-SIIs it is essential that proportionality be a guiding principle. Thus, we appreciate the emphasis on proportionality in this section and the reliance on risk-based supervision. That said, we have concerns as expressed below. We agree with the proportional application of supervisor measures suggested by the holistic framework. This is especially important inasmuch as transitioning from an EBA to the holistic framework which is also activities-based, such measures could be applied to many insurers, not just a limited number of G-SIIs or IAIGs. The guidance that will be developed on the factors that should be considered when deciding if a requirement should be applied to other groups is will therefore be very important, and we would appreciate the opportunity to consult with the IAIS on that when drafted. The text in the Introduction to the ICPs as quite brief in its explanation of the application of proportionality: “Proportionality allows the supervisor to increase or decrease the intensity of supervision according to the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole. A proportionate application involves using a variety of supervisory techniques and practices which are tailored to the insurer to achieve the outcomes of the ICPs. Such techniques and practices should not go beyond what is necessary in order to achieve their purpose.” Of some concern with the holistic approach is that numerous measures will be added to the ICPs because of a specific concern that an activity of a given insurer, or across insurers, may pose systemic risk. In terms of the aforementioned text in the Introduction to the ICPs, we believe that will require some further elaboration to provide adequate guidance to supervisors in the case of an assessment of systemic risk of an activity across insurers. It is quite possible that measures may be applied across a broad swath of insurers, going far beyond what is “necessary in order to achieve their purpose.” We believe that implementing the holistic approach through additional measures in the ICPs, while perhaps an expedient way to enhance standards and guidance, may nonetheless result in supervisory overreach. Thus, and again, we would appreciate the opportunity to consult with the IAIS once it is ready to propose factors for supervisors to consider when deciding if a requirement should be applied to non-IAIGs. We are concerned that the framework provides little guidance about (1) what standards to use to determine whether a

			particular activity is systemically risky across the entire industry or some segment of it, and (2) what process would be used in making that determination and how affected insurers may contest the decision if it is made improperly.
100. CNA	USA	No	**Answer:** No **Comment:** We appreciate the statements made by the IAIS that the supervisory policy measures should be applied proportionately, based on the insurer's level of participation in an activity and taking into account actions by the insurer to mitigate the risks of that activity. We urge the IAIS to better reflect in the Holistic Framework how a proportional approach to the policy measures should be and could be applied in practice. The Holistic Framework would also benefit from a fuller explanation of how the supervisory policy measures could be applied to insurers that are not part of an internationally active insurance group.
101. Liberty Mutual Insurance Group	USA	No	**Answer:** No **Comment:** The practical application of the proportionality principle is critical to the development of a reasonable systemic risk regulatory regime. Although the Framework notes the importance of proportionality, it offers no hint as to how this goal will be achieved. For example, Paragraph 17 contains the vague statement that the Framework will apply to all insurers "as necessary". The Framework should specify more clearly the objective standards that will trigger a supervisory response and explain why those responses are tied to the impact of a purported systemic activity on the real economy. The development of a clear definition of system risk would assist in addressing the issue of proportionality. In addition, the unnecessarily broad range of possible systemic activities (as discussed in our response to Question 1, above) prevents a meaningful cost/benefit analysis with respect to the work insurers would have to do to comply with the proposed new policy measures and to report new information. The lack of a cost/benefit or effectiveness analysis equally applies to supervisors who would be charged with implementing the policy measures proposed to address purported systemic risks. The Framework describes many proposals which are good solvency tools, at least in the abstract, but which are transformed into broader duties in the name of mitigating systemic risk without apparent regard to their cost effectiveness.

			In summary, the policy measures must be developed with a clearer link to the likelihood of systemic risk that the policy measures are intended to address.
102. Northwestern Mutual	USA	No	**Answer:** No **Comment:** The proportionality principle provides insufficient guidance for addressing the question of materiality where the cumulative effects of the activities of multiple insurers are to be considered. As noted in our response to Question 1, we suggest that the Holistic Framework be amended to include a transparent methodology for deciding on whether a potential area of attention is sufficiently material to justify current efforts, bearing in mind the definition of systemic risk referenced in Paragraph 21.
103. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** The NAIC generally agrees with the description of the principle of proportionality. However, regarding the proposed scope of application, the meaning of the statement in paragraph 67 is unclear: "In the holistic framework, supervisors are expected to extend certain ComFrame Standards beyond IAIGs to other insurers as necessary, because of the nature, scale and complexity of the activities that lead to increased systemic risk exposure." It would seem that if ComFrame Standards are expected to extend beyond IAIGs, then they are no longer, by definition, ComFrame Standards. The IAIS should clarify whether this is intended to apply to IAIGs and therefore covered under ComFrame, or else, if the focus is on the nature, scale and complexity of the activities that lead to increased systemic risk exposure, then perhaps these may be more appropriately captured under the ICPs.
Q7 Do you have any other comments on the introductory description of the supervisory policy measures as described in section 3.1? Please elaborate.			
104. CLHIA	Canada	No	**Answer:** High Level Perspectives 1. The CLHIA is supportive of the framework, in principle. 2. In the context of global consistency, requirements should be more principles based. As currently drafted, the framework is too detailed and prescriptive. We also suggest the framework should better reflect the differences between insurers and banks. National supervisors are better able to set effective specific measures for insurers (congruent with Insurance Core Principles) reflective of jurisdictional specific business models and risk management practices (particularly Life vs. P&C). 3. The framework should be more qualitative in nature rather than quantitative. In particular, the global monitoring exercise should be more qualitative in nature. We are concerned about the suitability of the one-size fits all approach. 4. The framework should ensure there is suitable application of the "proportionality" principle, especially in light of the

			proposed change from the binary approach of applying only to GSIIs to the proposed approach of applying to all insurers. For example, the measures should not apply at all to insurers who in the judgement of the national supervisor do not have a material involvement in activities deemed systemically risky. 5. In reference to paragraph 9 of the consultation, the CLHIA supports the "gap analysis" the IAIS is conducting. It is vitally important to ensure there is value added, for example, from the extra data collection, suitable application of proportionality and consideration of existing micro-prudential data/risk mitigation. 6. The CLHIA highly recommends that it is optimal to delay implementation to beyond 2020 to enable the Framework to be further developed prior to implementation. Should deferral of the implementation timeline not be a practical option, then we recommend that the IAIS provide a commitment to further engage with stakeholders on these issues as part of the implementation communication. This will help ensure that appropriate context is provided regarding the status of the framework development at date of implementation.
105. Insuranc e Europe	Europe	No	**Answer:** The consultation paper does not specify which measures are to be used and when. The connection between risk exposure and policy measures is quite vaguely defined. This is critical, since transmission channels to the broader economy vary depending on the underlying activity. As a result, policy measures should address the underlying activity, so as to be most effective and to avoid unintended consequences. The consultation paper makes frequent use of the term "macroprudential monitoring/surveillance". The IAIS has not appropriately explained the objective of macroprudential monitoring/surveillance and how it is to be achieved. This needs to be done before any further details can be developed. The IAIS should explain how and if "macroeconomic risks" differ from systemic risks. In general, insurers are not amplifiers of macroeconomic cycles, so do not warrant specific monitoring.
106. Global F ederation of I nsurance Ass ociations	Global	No	**Answer:** The consultation paper does not specify which measures are to be used when. The connection between risk exposure and policy measures is quite vaguely defined. This is critical, since transmission channels to the broader economy vary, depending on the underlying activity. As a result, policy measures should address the underlying activity, so as to be most effective and avoid unintended consequences. The consultation paper makes frequent use of the term "macroprudential monitoring/surveillance". The IAIS has not appropriately explained the objective of macroprudential monitoring/surveillance and how it is to be achieved. This needs to be done before any further details can be developed. The IAIS should explain how and if "macroeconomic" risks differ from systemic risks. In general, insurers are not amplifiers of macroeconomic cycles, so do not warrant specific monitoring.

107. Institute of Internation al Finance	Global	No	**Answer:** We appreciate the statements made by the IAIS that the supervisory policy measures should be applied proportionately, based on the insurer's level of participation in an activity and taking into account actions by the insurer to mitigate the risks of that activity. We urge the IAIS to better reflect in the Holistic Framework how a proportional approach to the policy measures should be and could be applied in practice. The Holistic Framework would also benefit from a fuller explanation of how the supervisory policy measures could be applied to insurers that are not part of an internationally active insurance group.
108. Internati onal Actuarial Association	International	No	**Answer:** Only that it would help to clarify which policy measures will be most appropriate (or limited to) events which arise out of liquidity, capital, long term and market innovations. For example, data gathering is the essential power needed to understand long term as well as market innovation/emerging exposures.
109. General Insurance As sociation of J apan	Japan	No	**Answer:** No.
110. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** No.
111. State Se cretariat for In ternational Fi nance	Switzerland	No	**Answer:** We support the deliberate decision in paragraph to not distinguish between microprudential or macroprudential measures.
112. Swiss R e	Switzerland	No	**Answer:** We propose to alter the wording of the second sentence of para. 62 as follows: "In addition, crisis management preparatory work may help identify…"
113. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** NAMIC has concerns that the language in section 3.1 includes assumptions of supervisory authority that do not exist in all jurisdictions. This CD and any related ICP consultations are should not include language that would reflect an expansion of supervisory authority.
114. RAA	United States and	No	**Answer:** The consultation paper should provide more clarity on which measures are to be applied to whom and when. The discussion of the connection between risk exposure and policy measures is unclear. Since transmission channels to

	many other jurisdicitons		the broader economy vary, depending on the underlying activity, policy measures should address the underlying activity, to be most effective and avoid unintended consequences.
115. Prudential Financial, Inc.	United States of America	No	**Answer:** With respect to this section, we support: + The emphasis on/acknowledgment of the role of jurisdictional supervisors as being the primary party responsible for addressing systemic risk and thereby contributing to global financial stability; + The acknowledgment that microprudential measures can be used to "increase the resilience of the insurance sector as a whole and/or decrease the probability and magnitude of any negative systemic impact"; and + Use of the ICPs, ComFrame and Application Papers as the vehicles for implementing the Holistic Framework and related policy measures and guidance. We disagree with the reference to the ICS in paragraph 65 given the preliminary and unproven nature of the tool. Consideration of the tool as a means for assessing and mitigating systemic risk before the conclusion of the 2020 to 2024 monitoring period is premature and references to it throughout the Holistic Framework should be struck.
116. AIG	USA	No	**Answer:** Consistent with its phased, transitional approach to developing the holistic framework, the IAIS is proposing a broad swath of potential policy measures for systemic risk assessment. We support the IAIS process of performing a "gap analysis" to identify existing supervisory tools that, either directly or with targeted refinement, can serve as the basis for implementing the holistic framework. This approach recognizes that many of the prudential standards geared to policyholder protection can simultaneously serve macro-prudential objectives, since a regime that gives comfort to policyholders will ultimately mitigate any potential "run risk" (e.g., lapses) within insurance. It is understandable that, at this developmental stage of its process, the IAIS is reviewing any and all potential policy measures that might eventually become part of its systemic risk assessment framework. As an essential next stage, the IAIS will need to determine which complement of these proposed tools will form the basis of its approach. The core considerations for this assessment are: -- The instrumentality of a given measure to achieving financial stability policy objectives. In other words, the IAIS should focus on how each tool, including the contemplated powers of supervisory intervention, would specifically and directly help in either assessing or mitigating potential systemic risk. As an example, the consultation generically supports stress testing, which in the proper context can provide useful insights about sector-

			wide risk exposure. That said, stress testing can have a range of forms, assumptions, and applications. While we do not believe that the IAIS should develop a prescriptive approach, it would nevertheless be useful to clarify how stress testing would address the IAIS construct for systemic risk transmission mechanisms. -- The potential unintended consequences of certain tools that, depending on application, might undermine rather than promote stability. As a general principle, the implementation of hard-wired metrics and quantitative requirements could in many cases hamper and even detract from IAIS financial stability goals. Certain policy measures might incentivize insurance companies to take actions that nominally protect their own stakeholders (e.g., policyholders, creditors, and investors), but, through these actions, unintentionally exacerbate systemic problems. We see several examples of such measures that merit further assessment. A prescriptive, factor-based liquidity coverage ratio (LCR) might encourage insurers to hoard liquidity during a stress period, rather than to serve their natural role as a stabilizing purchaser of temporarily illiquid but fundamentally sound obligations. Similarly, strict counterparty exposure limits would counteract financial stability if encouraging companies to withdraw exposure to companies experiencing incipient but manageable distress - put simply, limits if misapplied could push a wobbly company over the precipice. Recovery plans, which can be a useful exercise to assess prospective courses of action under stress, might nevertheless exacerbate asset liquidations or dispositions. Finally, we caution against use of the insurance capital standard (ICS), even as an informational tool within the holistic framework, since its reliance on a market-adjusted valuation could synthetically understate equity capitalization during periods of stress. This caution is particularly pertinent if the ICS were to continue to apply asymmetric valuation treatments to assets versus liabilities - a design flaw which, during periods of market turbulence, would produce "false positives" of financial distress for otherwise healthy insurers. Even if used as an informal indicator of financial risk trends, the ICS could result in misleading conclusions. The ICS market risk measures are prone to cyclical volatility and should not be taken out of context from the diversified ICS capital requirement - which is itself still very much a work in progress. It is sometimes the case that the incremental addition of new supervisory tools enhances overall prudential safety (albeit with a resource cost for both firms and their supervisors). However, in the context of systemic risk oversight, the agglomeration of certain tools, particularly if overly prescriptive or mechanistic, could be harmful to the overarching public policy objective of promoting financial stability. As a general matter, we believe that context-specific supervisory

			monitoring and dialogue will better enable the tailored actions needed to understand and, if warranted, to address a particular area of potential systemic concern.
117. CNA	USA	No	**Answer:** We encourage the IAIS to leverage existing microprudential tools such as ORSA and comprehensive ERM, which are fit for purpose, before developing new macroprudential tools. Such actions would alleviate redundant and burdensome requirements on both insurers and supervisors.
118. Liberty Mutual Insurance Group	USA	No	**Answer:** Supervisors generally currently lack the legal authority to implement many parts of the proposed policy measures agenda. The Framework should not call for supervisors to act in a way that is beyond the scope of their authority. The IAIS must be more realistic in recognizing these limits on the power of its member supervisors. Any new duties the Framework purports to assign to supervisors must not presume authority where none currently exists.
119. Northwestern Mutual	USA	No	**Answer:** Yes. We disagree with the decision, noted in Paragraph 64, not to distinguish macroprudential measures from microprudential measures. It is a fundamental principal of good government that supervisory and regulatory powers should always be tailored to meet an established and well-understood supervisory or regulatory purpose. To date, given the historic policyholder protection objective of insurance regulation, it may be presumed that the content of IAIS materials is largely addressed to protecting policyholders, while being balanced with the need to support competitive and open markets. As macroprudential measures are added to fill perceived gaps after consideration of the macroprudential benefits of microprudential measures, the macroprudential purpose must be stated. Otherwise, confusion will result over the justification for the added measures. This will give jurisdictional regulators - which in some cases have differing regulatory mandates - insufficient guidance as they seek to implement IAIS principles, standards, and guidance. This confusion could result in inconsistent interpretation and enforcement within and across jurisdictions. Moreover, there will be circumstances, particularly when it comes to supervisory powers of intervention, where macroprudential purposes conflict with the objective of policyholder protection. An extreme example would be the exercise of powers described in Paragraph 128 for macroprudential purposes in circumstances where the insurer remains able to perform its obligations to its policyholders. Therefore, where supervisory measures or powers are for macroprudential purposes, the authorities should say so. We also believe that where macroprudential purposes conflict with policyholder protection, regulators should prioritize the path that protects policyholders. See also our response to Question 31.
Q8 Do you agree with the above proposal to amend the Standards and Guidance on supervisory review and reporting framework? Please elaborate.			
120. Canadian Institute of Actuaries	Canada	No	**Answer:** No **Comment:** Central organization to monitor systemic risks: The paper describes a vision where local supervision of

			insurers is supported by a new, central organization to provide these services. The monitoring process and the centralized supervisory process must be clearly established before we can comment on this segment of the paper.
121. Allianz	Germany	No	**Answer:** Yes **Comment:** In this context, we would like to highlight the relevance of adequate proportionality of data requests especially when product specific characteristics are concerned (specific product features like propensity for early pay outs subject to scenarios).
122. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** The proposed amendments of ICP 9 are necessary to require all supervisors to actively consider both angles of systemic risk in their daily work. The current limitation to only an individual institution's failure needs to be overcome to broaden the perspective. While this might be done already by many supervisors, it is important to establish this requirement explicitly. Also, it is important to maintain both perspectives, i.e. the individual and collective exposures, as integral parts of the overall efforts to reduce systemic risk.
123. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** Any standards and guidance changes should be principle-based and flexible enough to allow for local supervisory conditions. An over-reliance on quantifiable data standards is not likely to be productive and will also likely be "backward looking" to the last financial crisis, while failing to identify any new potential threats to financial stability.
124. International Actuarial Association	International	No	**Answer:** Yes **Comment:** Yes, but the wording of the first bullet appears to be focused on a study of past failures (i.e. "assess sources of systemic risk related to failure or distress of individual insurers"). The IAA suggests it is preferable to pattern the language of ICP 24.4 by stating "The supervisor assesses the principal sources of systemic risk and analyses and monitors their actual or potential impact on the financial stability of insurance markets in general and of insurers in particular and takes appropriate action". For example, insurers active in credit insurance in certain jurisdictions are likely to have default data experience which can help to better identify the early onset of troubles in the real economy. More importantly, we recommend that it is the focus on potential impacts due to innovation in the market place that will be of most value to the IAIS. Assessment of liquidity issues is a necessary aspect of supervision, but its significance within the insurance context is of minor importance and can be readily addressed with a modest amount of additional oversight. Understanding the concentration and usage of new assets or products offered through regular use of

			environmental risk scanning is a fundamental tool to identify and assess preventive or mitigative options before they become a crisis.
125. General Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** Yes, but an increase in burden compared to the current level should be avoided.
126. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** ACLI is generally agnostic with respect to the proposed guidance. We would urge that any standards and guidance changes should be principles-based and flexible enough to allow for local supervisory conditions. An over-reliance on quantifiable data standards is not likely to be productive, and will also likely be "backward looking" to the last financial crisis while failing to identify any new potential threats to financial stability. ACLI generally supports the proposed cross-sectoral analysis and encourages continued development of the approach.
127. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** Yes **Comment:** We agree that macroprudential surveillance can be considered the starting point for the supervisory process of mitigating systemic risk, providing a powerful diagnostic tool for risks that are building up either at a sector-wide level or at the level of an individual insurer. It also provides for a solid foundation for the use of policy measures based on a macroprudential concern. With regards to incorporating in a Standard the objective to assess any sources of systemic risk related to both the failure or distress of an individual insurer and the collective risk exposures of insurers at a sector-wide level and to enhance the guidance materials, we note that there could be an overlap with ICP 24 as ICP 24 already requires supervisors to identify, monitor and analyse market and financial develops and other environmental factors that may impact insurers and use this information in the supervision of individual insurers. We propose only to include the objective to assess sources of systemic risk as part of ICP 9 but make reference to ICP 24 for further guidance to avoid overlapping or conflicting materials across the two ICPs.
128. State Secretariat for International Finance	Switzerland	No	**Answer:** No **Comment:** We support the concept of macroprudential surveillance but prefer – as expressed in paragraph 64 – to apply microprudential policy measures. Firstly, they are much easier to apply, secondly, most macroprudential risks come also with a microprudential concern, which motivates a microprudential measure in any case.

129. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** We generally agree with the proposal.
130. National Association of Mutual Insurance Companies	United States	No	**Answer:** No **Comment:** See GFIA response.
131. RAA	United States and many other jurisdicitons	No	**Answer:** No **Comment:** The proposal to amend the Standards and Guidance on macroprudential surveillance is based on data collection. Macroprudential surveillance should not result in the creation of a new data warehouse of insurers' data at the IAIS. Additionally, the IAIS should ensure that its data collection exercise is necessary, proportionate and appropriately justified.
132. Prudential Financial, Inc.	United States of America	No	**Answer:** No **Comment:** While the IAIS has stated its intention to move away from the EBA versus ABA dichotomy, language within the Holistic Framework and related proposed updates to policy measures continue to promote entity centric and binary approaches. We believe the text in ICP 9 should be worded more broadly and recommend the following: + Paragraph 72, bullet 3 - "The framework should include assessments of the risks which may potentially lead to the distress of insurers at the sector-wide or individual insurer level and the potential resulting impact to policyholders, the insurance market or the financial markets as a whole" + Paragraph 74, bullet 1 – "Explicitly incorporating in a Standard the objective to assess any potential sources of systemic risk" + Paragraph 74, bullet 2 – "Enhancing the Guidance material to refer any potential sources or systemic risk"
133. American Property Casualty Insuran	USA	No	**Answer:** No **Comment:** We do not believe that the insurance sector as a whole is a source of systemic risk, and given its lack of exposure to "run-on-the-bank risk" we believe that it is even less likely that the non-life sector in general could be

ce Association (APCIA)			considered a source of systemic risk. While we support sound macroprudential analysis, there are implications of cost and burden to insurers both to furnish underlying data as well as to respond to supervisory measures that might result. While such measures would hopefully be appropriate and proportionally applied, we are concerned that the proposed changes to ICP 9 be drafted in such a way to assure that outcome. In particular, the focus on the collective risk exposures of insurers at a sector-wide level could result in the perverse outcome that any risk is considered systemic simply because all insurers in a sector have some exposure. In addition, it is not clear to us how the IAIS intends supervisors to “calibrate the depth and level of supervision.” As a consequence, we remain concerned that the resulting revised supervisory material could result in measures that are not cost-beneficial, and which do not focus, as intended, on true systemic risks. We look forward to the opportunity to consult with the IAIS when the proposed revisions have been drafted.
134. CNA	USA	No	**Answer:** No **Comment:** As discussed in our general comments (see response to question 1), we believe the source of systemic risk should be limited to the failure or distress of individual firms. If lawful activities performed by the insurance sector on a local level cause potentially harmful impacts to the local real economy, rules and regulations should be developed on a local level to address the situation preferably on a prospective basis. If the guidance is expanded as contemplated we would suggest the IAIS fully develop the proportionality concept prior to adoption and implementation of this new guidance.
135. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** While the NAIC agrees that some additional consideration of macroprudential issues and systemic risk as it relates to supervisory review and reporting could be incorporated, having explicit requirements would be overly prescriptive. For example, we recommend replacing the assessment of “any sources of systemic risk” with assessment of “material sources of systemic risk” or something similar in paragraph 74.
Q9 Do you agree with the above proposal to amend the Standards and Guidance on macroprudential surveillance? Please elaborate.			
136. Insurance Europe	Europe	No	**Answer:** No **Comment:** The proposal to amend the Standards and Guidance on macroprudential surveillance is based on data collection. Macroprudential surveillance should not result in the creation of a data warehouse of insurers’ data. Insurance Europe recommends that IAIS should ensure that its data collection exercise

			is proportionate and appropriately justified. In addition, Insurance Europe considers that the proposed enhancements to ICP 24 in Paragraph 77 should place the emphasis on insurers understanding their liquidity risk and evidencing this through their ORSA. As a first resort, supervisors should look to gain comfort in this way, rather than from a prescription that they should undertake their own granular independent assessment.
137. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** The proposed amendments to the standards in ICP 24 are necessary to cover many relevant aspects of the a "holistic" monitoring. Next to the aspects already mentioned – the surveillance of reserving (especially regarding long-term contracts) – should be added. Detail provided in supporting guidance seems sufficient and may be further specified as part of the global monitoring and analysing exercise. With regard to ICP 24.6 and 24.7 we believe it is important to maintain them as part of the ICPs, even if the IAIS has recommended to suspend the G-SII designations in case the Holistic Framework proves to be effective after the review period. As underpricing and underreserving are one of the major reasons for failures in (life) insurance business, BaFin suggests this should be taken into account more extensively by amending guidance to assess whether reserving standards are appropriately implemented by insurers and an appropriate pricing is ensured. EIOPA has provided evidence on the relevance of this topic in its report on systemic risk and is developing an instrument as one of several other macroprudential instruments this issue.
138. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** The proposal to amend the Standards and Guidance on macroprudential surveillance is based on data collection. Macroprudential surveillance should not result in the creation of a data warehouse of insurers' data. GFIA recommends that IAIS should ensure that its data collection exercise is necessary, proportionate and appropriately justified. For example, it is noted in paragraph 77 that the supervisor should collect information on the surrender value; however, the liquidity of surrender value should be assessed in a holistic manner, where due consideration is paid to broader aspects including purpose of the insurance contracts and substantial economic penalties embedded in high guaranteed rate contracts. Moreover, as described in paragraph 34, it is possible that insurers face liquidity risk where they do not adequately match liquid liabilities with illiquid assets; however, this is not a source of systemic risk if insurers have invested sufficiently in liquid assets.

			In addition, GFIA considers that the proposed enhancements to ICP 24 in Paragraph 77 should place the emphasis on insurers understanding their liquidity risk and evidencing this through their ORSA. As a first resort, supervisors should look to gain comfort in this way, rather than from a prescription that they should undertake their own granular independent assessment.
139. Institute of International Finance	Global	No	**Answer:** No **Comment:** Paragraphs 77, 90, 94 and 105 propose the collection from insurers and analysis by supervisors of granular data on liquidity risk, macroeconomic exposures, and counterparty risk. As a general matter, the insurer's own risk and solvency assessment (ORSA) should be the source of information on an insurer's risk management and further information should be required only on an exception basis. The collection by supervisors of significant amounts of additional granular data would impose substantial burden on both insurers and supervisors. We encourage the IAIS to refrain from imposing a Standard that supervisors require insurers to develop separate liquidity plans. In many jurisdictions, liquidity planning is part of the ORSA and ERM framework and a requirement for separate liquidity plans would be duplicative and burdensome. As noted in Paragraph 85, the management of liquidity risk is integral to ERM. It would be more appropriate to limit the dissemination of more granular information and metrics on liquidity risk to supervisors. With respect to disclosures to supervisors (i.e. regulatory reporting), the insurer's ORSA should be the primary source of information and supplemental reporting of capital, solvency measures and liquidity generally should not be necessary or required. For example, the reporting contemplated by Paragraphs 77 and 94 should be covered by the ORSA, where those risks and exposures are material to the insurer. Paragraphs 93 and 94 propose the addition of a Standard to ICP 20 that the supervisor requires quantitative and qualitative liquidity risk disclosures, in order to give more prominence to liquidity risk in disclosure requirements. Further requirements for liquidity risk disclosures to the market may not be particularly helpful and could lead to confusion, as market participants generally have a limited understanding of liquidity risk measures and metrics. Moreover, the IAIS should acknowledge and reflect the fact that market regulators generally impose disclosure requirements related to liquidity risk (and other key risks). Any liquidity risk disclosure standards should also consider differences among business models, national and regional markets, and focus on the unmet needs, if any, of investors and the general public for information. Supervisors should not impose contradictory or duplicative requirements.

140. International Actuarial Association	International	No	**Answer:** Yes **Comment:** Yes, but (similar to Q8) the wording of the first bullet appears to be focused on a study of past failures (i.e. “assess sources of systemic risk related to failure or distress of individual insurers“). The IAA suggests it is preferable to pattern the language of ICP 24.4 by stating “The supervisor assesses the principal sources of systemic risk and analyses and monitors their actual or potential impact on the financial stability of insurance markets in general and of insurers in particular and takes appropriate action”. In addition, the third bullet, in attempting to list various types of counterparty risk fails to indicate the list is a partial one. The list does not include various types of service providers who have the potential to represent substantive counterparty risk. The proposed guidance also fails to mention the interconnectedness risk from counterparties due to misaligned incentives. Finally, in respect of the last bullet, the guidance should expand on what is meant by "sufficient" and how sufficiency should be assessed.
141. General Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** We understand the necessity of each data item described in paragraph 77. However, we think that requiring all insurers to provide detailed data is too burdensome, and that the workload should be taken into account in enhancing the existing supervisory material in ICP 24. For instance, while supervisors may make a certain quantitative standard using data available from disclosed documents, they require only insurers/groups exceeding the standard of the detailed data described in paragraph 77, which narrows down the scope of data collection for companies that are unlikely to be a cause of systemic risk. Moreover, when requiring detailed data, supervisors should target insurers only after carefully selecting indispensable data in light of the purpose. They should firstly consider making do with data they already have and require additional data only if they find it insufficient.
142. The Life Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** With regard to data collection on macro prudential surveillance, the LIAJ believes that it should collect as much appropriate data as needed for the purpose and should avoid an unnecessary collection exercise. It is stated in paragraph 75, the data collection, the analysis thereof and the publication of data provide the underpinning of macroprudential surveillance, however, on it needs that data collection and its criteria are appropriate as implementation assumption. It is stated in paragraph 77, for example, that the supervisor should collect information on

			the surrender value however the liquidity of surrender value should be assessed in a holistic manner where due consideration is paid to broader aspects including the purpose of the insurance contracts, substantial economic penalties embedded in high guaranteed rate contracts, the feature of retail and non-retail and policyholder protection schemes and mechanisms. From this point of view, we disagree with the matrix ofTable5: combination of time restraints and economic penalties in the existing G-SIIs methodology of Annex1. From this point of view, the second bullet in paragraph 77 should be amended as follows, “such as penalties or delays in the ability to access the cashvalue of a policy, the maturity or redemption structure of non-insurance liabilities, the degree of liquidity of the assets, purpose of the policy, loss of guarantees, the feature of retail and non-retail and policyholder protection schemes and mechanisms”. Moreover, as described in paragraph 34, If insurers do not match liquid liabilities with sufficient liquid assets, it might have liquidity risk. However, if an insurance company holds sufficient liquid assets, it would not be a source of systemic risk. Therefore it should be evaluated taking into consideration the liquidity of the asset side. We would like to give an opinion on the details when the relevant Standards and Guidance are stipulated in ICP24 in June 2019.
143. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** ACLI supports a focus on liquidity and the corresponding transmission mechanism of asset liquidation. ACLI also supports a focus on counterparty risk. ACLI questions the collection of data of a “sufficiently granular level” to analyse macroeconomic shocks. Some level of stress testing (for example in connection with liquidity) may be appropriate if properly constructed and tailored. Stress testing, like any valuable tool, can be put to overuse. Testing extreme scenarios that render every insurer insolvent serves no purpose.
144. Swiss R e	Switzerland	No	**Answer:** No **Comment:** The analysis of vulnerabilities (of insures/ of the insurance market) to macroeconomic shocks is sensible. Such analyses are regularly carried out by insurers and they are widely required by jurisdictional regulations today. In the Swiss Solvency Test, for instance, interest rate risk is fully accounted for. The possible resulting actions however are not laid out tangibly in the proposed systemic risk framework. While central banks control the lever on macroeconomic drivers like interest rates to address vulnerabilities in the banking sector with a view to the real economy (monetary

			policy), insurance supervisors lack any such instrument. Furthermore, insurers´ exposure to macroeconomic factors is not necessarily a source of systemic risk, unless transmission channels have properly been established to transfer the exposure to the financial markets and the real economy. The IAIS should indicate that the purpose of studying such exposures is to determine whether they are a source of systemic risk. To that effect, the IAIS should focus on specific activities or products (see our comments to Q13). That is, we believe that "macroprudential surveillance" is an inappropriate term. Rather, the IAIS should seek to determine the extent to which insurers´ activities may expose them to macroeconomic risks (as outlined in Figure 1 of the Consultation Document). In addition, the proposed text overlaps with text proposed for ICP 9, with both addressing "collective risk exposures at the sector-wide level". Finally, the requirement to provide information on the surrender value of insurance products overlaps with proposed requirements for ICP 20.
145. Lloyd's of London	UK	No	**Answer:** No **Comment:** Paragraph 77 specifies in some detail the activity which the IAIS proposes to prescribe in ICP 24. The collection of data and its subsequent analysis is resource intensive and increases the regulatory burden on supervised entities. We question whether this activity is necessary in the jurisdiction of every IAIS member and for all insurance undertakings. The obligation should be worded to provide flexibility over its application, in line with the principle of proportionality.
146. Association of British Insurers	United Kingdom	No	**Answer:** No **Comment:** The ABI considers that the proposed enhancements to ICP 24 in Paragraph 77 should place the emphasis on insurers understanding their liquidity risk and evidencing this through their ORSA. As a first resort, supervisors should look to gain comfort in this way, rather than from a prescription that they should undertake their own granular assessment.
147. National Association of Mutual Insurance Companies	United States	No	**Answer:** No **Comment:** See GFIA response.

148. Prudential Financial, Inc.	United States of America	No	**Answer:** No **Comment:** As noted in our response to question 8, we believe the IAIS should seek to broaden the text within the proposed enhancements to more effectively and fulsomely move toward a cross sector approach. To achieve this, we propose rewording the first two recommended enhancements as follows: + "Explicitly incorporating in a Standard and in the Introductory Guidance the objective to assess all potential sources of systemic risk as identified in Section 2;" + "Supporting the assessment of liquidity risk; Guidance should specify that the supervisor should collect and analyse data of a sufficiently granular level that provides sufficient indications on possible asset liquidation within their jurisdiction. That may include, but is not limited to, information on the surrender value of insurance products, specific product features that increase or decrease the propensity for early pay outs under certain circumstances such as penalties or delays in the ability to access the cash value of a policy, the maturity or redemption structure of non-insurance liabilities, and the degree of liquidity of the assets;"
149. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** No **Comment:** We note that many supervisors are already performing many aspects of the assessments proposed through the suggested enhancements to ICP 24. Furthermore, some risks, e.g., liquidity risk, do not pose a significant risk for the non-life sector due to the timing of the respective premium and claim cash flows. Because the recommended enhanced supervisory material will be included in ICP 24 and thus applicable to all insurers, it is important that it nonetheless be framed in the context of the underlying concern for its inclusion, which is systemic risk. Otherwise it is likely that enhanced measures will be applied more broadly, which we do not believe to be the objective of the IAIS, nor something that we or are members would support. To justify the proposed measures we believe the IAIS should provide examples of where and how the insurance sector has been the source of systemic risk. We would welcome and appreciate the opportunity to consult further with the IAIS when the addition material for ICP 24 is drafted.
150. CNA	USA	No	**Answer:** No **Comment:** The proposed guidance appears to be overly prescriptive suggesting that the supervisor should collect detailed information regarding liquidly, macroeconomic and counterparty risks which could mitigate the principal of

			proportionality. Determination if the information is relevant or necessary for an individual insurer to provide should be left to the local jurisdiction and the group supervisor.
151. Northwestern Mutual	USA	No	**Answer:** No **Comment:** The reference to specific product features that relate to the liquidity behaviour of products with surrender value is incomplete. With respect to traditional individual cash value life insurance, additional attributes contributing to the product's low liquidity risk include: the insurance is purchased for the purpose to meet a life insurance need; the potential loss of insurability if surrendered and related effort to replace that coverage; and potential adverse tax consequences of surrendering existing coverage.
152. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** While the NAIC agrees that some additional consideration of macroprudential surveillance could be incorporated, there appears to be an overemphasis on prescriptiveness in guidance material which could be perceived as diluting the principle of proportionality. A jurisdiction should be able to utilize the methods and data for the number and type of insurers for which the risk concerned is best captured from the perspective of the jurisdiction's insurance supervisors.
Q10 Do you agree with the above proposal to amend the Standards and Guidance on macroprudential surveillance? Please elaborate.			
153. Insurance Europe	Europe	No	**Answer:** No **Comment:** The IAIS has chosen a stress-testing approach for assessing systemic risk. This approach can bring benefits to the supervision of systemic risk, as it could assess the vulnerabilities of the insurance sector and raise awareness of the potential threats to financial stability. However, the intended scope of stress testing (proposed in the enhancements to ICP 24, as set out in Paragraph 79) is insufficiently clear. The IAIS should provide more clarity in this respect. In order for stress-testing to bring benefits, Insurance Europe emphasises that: • A realistic view of the vulnerability of the insurance sector can only be achieved if the technical specifications underlying the exercise are consistent with economic reality and allow for management actions. In particular, it should be recognised that any exercise which is based on instantaneous shocks is a simplification of reality. Due consideration should therefore be given to the fact that insurers will be able to mitigate the impact of the shocks through necessary

			management actions over weeks and months. • To properly assess the potential systemic impact of the adverse economic events, the extreme scenarios being tested must remain plausible, economically justifiable and should be internally consistent. The IAIS proposes a variety of stress testing, involving as many as nine different frameworks (three types of stress test for three types of risks). Even for a large insurer, this seems excessive. Insurance Europe does not support any form of prescribed individual company stress testing. • If the ICS were to be implemented, the calculation of the post-stress capital requirements would rely on a "stress upon a stress" exercise. The capital requirements would be the reflection of higher level of risks than in the initial capital standard. This would create an unnecessarily pessimistic view of the health of the insurance industry and result in confusion. • Stressing should not be used for enforcing capital add-ons for insurers. • Operationally speaking, early engagement with industry and appropriate timelines should be foreseen to ensure a smooth execution of the process. Insurance Europe believes that IAIS amendments should include guidelines on the issues raised above.
154. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** Stresstesting is a powerful tool and therefore BaFin supports the integration of this tool in ICP 24. If stresstesting aims to deliver an additional value, the quality of the balance sheet needs to be assessed too. Therefore, the results should be interpreted with that in mind, e.g. the degrees of freedom provided in reserving for long-term contracts. BaFin would support to elevate Stresstesting to the Standard and not just as guidance that specifies the "framework" currently mentioned in the proposed standard. It is correct that there can be numerous metrics to measures exposures and detect vulnerabilities in the sector, but it would be beneficial is there is a common set of analytic tools used. Therefore a requirement to perform regular (not necessarily yearly) stress tests provides the grounds for a joint discussion of results of similar scenarios and a coordinated way forward in case trends are unveiled.
155. Global Federation of I	Global	No	**Answer:** No **Comment:** The IAIS has chosen a stress-testing approach for assessing systemic risk. This approach can bring benefits

nsurance Associations			to the supervision of systemic risk, as it could assess the vulnerabilities of the insurance sector and raise awareness of the potential threats to financial stability. However, the intended scope of stress testing in the proposed enhancements to ICP 24 as set out in Paragraph 79 is insufficiently clear. The IAIS should provide more clarity in this respect. In order for stress-testing to bring benefits, GFIA emphasises that: • A realistic view of the vulnerability of the insurance sector can only be achieved if the technical specifications underlying the exercise are consistent with economic reality and allow for management actions. In particular, it should be recognised that any exercise which is based on instantaneous shocks is a simplification of reality. Due consideration should therefore be given to the fact that insurers will be able to mitigate the impact of the shocks through necessary management actions over weeks and months. • To properly assess the potential systemic impact of the adverse economic events, the extreme scenarios being tested must remain plausible, economically justifiable and should be internally consistent. The IAIS proposes a variety of stress testing, involving as many as nine different frameworks (three types of stress test for three types of risks). Even for a large insurer, this seems excessive. GFIA does not support any form of prescribed individual company stress testing. • If the ICS were to be implemented, the calculation of the post-stress capital requirements would rely on a “stress upon a stress” exercise. The capital requirements would be the reflection of higher level of risks than in the initial capital standard. This would create an unnecessarily pessimistic view of the health of the insurance industry and result in confusion. • Stressing should not be used for enforcing capital add-ons for insurers. • Operationally speaking, early engagement with industry and appropriate timelines for development of these standards should be foreseen to ensure a smooth execution of the process.
156. International Actuarial Association	International	No	**Answer:** Yes **Comment:** The IAA notes that a search of the current ICP’s for “stress testing” reveals no use of this term in the standards, however the term is used within ICP 8 guidance as an important ERM tool.
157. General Insurance As	Japan	No	**Answer:** Yes

sociation of J apan			**Comment:** Yes. However, as for supervisory stress tests, top-down stress tests should be used in principle because judging by their roles, precisely calculating each insurer´s figures is not very important. Using bottom-up stress tests should be limited to cases where there is a need to consider elements only each insurer can know. Also, in designing bottom-up stress tests, they should be defined simply and clearly to avoid each insurer´s decisions and data availability having a serious impact on calculation results taking into account the parts they have in common with each insurer´s existing stress tests. By doing the above, duplicate work by insurers should be avoided.
158. The Life Insurance As sociation of J apan	Japan	No	**Answer:** No **Comment:** Paragraph 79 states that the supervisory stress test should be specified in the Guidance of the ICP 24.However, this should be decided by the supervisors to implement according to the particular circumstances in each jurisdiction. Therefore this should not be specified in ICP uniformly.
159. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** As noted above, stress testing should not be over-used. In addition, there is little sense of regulatory boundaries in this section of the Consultation. Much more development and clarity is needed here. ACLI would oppose supervisor-prescribed micro-prudential stress testing on individual companies that can have the practical effect of creating an additional binding standard, perhaps indirectly through a forced public disclosure. We are also opposed to capital stress testing approaches that involve calculating a post-stress solvency ratio, leading to an implicit requirement to hold capital to survive a stress on a stress.
160. Swiss R e	Switzerland	No	**Answer:** No **Comment:** See our response to Q9.
161. Associati on of British I nsurers	United Kingdom	No	**Answer:** No **Comment:** The intended scope of stress testing in the proposed enhancements to ICP 24 as set out in Paragraph 79 is insufficiently clear. The IAIS should provide more clarity in this respect.
162. National Association of Mutual Insura	United States	No	**Answer:** No **Comment:** No. NAMIC does not agree that duplicative stress testing requirements should be included in the ICPs.

nce Companies			Supervisors should regard the current stress testing under the Own Risk and Solvency Assessment (ORSA) as an alternative to devising a new stress testing requirement
163. Prudential Financial, Inc.	United States of America	No	**Answer:** Yes **Comment:** We agree with the acknowledgement within the proposed enhancements of the need for flexibility in approaches. Please refer to our responses to questions 11 and 52 for our thoughts on the role of stress testing.
164. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** No **Comment:** Please refer to our response to Question #8.
165. CNA	USA	No	**Answer:** No **Comment:** Please refer to our comments provided for question 9.
166. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** Please see our answer to question 9.
Q11 What should be the role of supervisory stress testing? Please elaborate.			
167. Insurance Europe	Europe	No	**Answer:** Insurance Europe strongly opposes supervisor-prescribed microprudential stress testing on individual companies that can have the practical effect of creating an additional binding standard, perhaps indirectly through forced public disclosure. Insurance Europe also opposes capital stress-testing approaches that involve calculating a post-stress solvency ratio, leading to an implicit requirement to hold capital to survive a stress on a stress. Stress testing is most relevant for capital and liquidity but much less meaningful for counterparty exposure. While Insurance Europe supports counterparty reporting requirements and internal exposure limits, designing and executing counterparty stress testing would be extremely difficult.

			Finally, regarding liquidity risk analysis, because of the importance of entity-specific factors it is not necessarily clear whether meaningful liquidity analysis can be performed at an industry level.
168. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** See Q10.
169. Global Federation of Insurance Associations	Global	No	**Answer:** GFIA strongly opposes supervisor-prescribed microprudential stress testing on individual companies that can have the practical effect of creating an additional binding standard, perhaps indirectly through forced public disclosure. GFIA also opposes capital stress-testing approaches that involve calculating a post-stress solvency ratio, leading to an implicit requirement to hold capital to survive a stress on a stress. Stress testing is most relevant for capital and liquidity but much less meaningful for counterparty exposure. While GFIA supports counterparty reporting requirements and internal exposure limits, designing and executing counterparty stress testing would be extremely difficult.
170. Institute of International Finance	Global	No	**Answer:** Paragraph 79 proposes a supervisory Standard to establish a framework, including appropriate metrics, for measuring vulnerabilities at the individual insurer and aggregate, sector-wide level. Guidance related to this Standard would call for the development of supervisory stress testing to implement this framework. Potentially three types of stress tests are identified: (i) those that are undertaken by insurers to support their ERM; (ii) top-down supervisory stress tests; and (iii) bottom-up supervisory stress tests. Potentially three data collection and analysis exercises are identified: (i) data collection and analysis supporting the assessment of liquidity risk; (ii) data collection and analysis supporting the assessment of macroeconomic exposure; and (iii) data collection and analysis supporting the assessment of counterparty risk. We would urge the IAIS to further refine this ambitious proposal by considering the utility of the different types of stress tests and data collection and analysis exercises in light of: (i) the specific insurance activities and exposures and transmission channels that are most likely to propagate systemic risk to the broader global financial system; (ii) the most relevant shocks to risk factors and/or macroeconomic scenarios; (iii) the need to reflect the asset and liability profiles and business planning horizons of different types of insurers; (iv) the need to balance model sophistication and detail with data limitations and the risks of estimation uncertainty; and, importantly, (v) resource allocation concerns and a thorough analysis of the usefulness of a particular type of stress test, particularly if that stress test is proposed to be applied on an industry-wide basis. We would also encourage the IAIS to consider the extent to which existing jurisdictional stress testing frameworks could be leveraged effectively for this purpose. In analyzing the results of stress tests, we would caution against a rigid pass/fail approach and would advocate for both

			a quantitative and qualitative assessment of the results. Similarly, a less than optimal stress test result should not result automatically in the imposition of additional prudential measures, such as a capital add-on, but should form the basis for a supervisory conversation with the affected firm to discuss how to address the risk exposures that gave rise to a suboptimal stress testing result.
171. International Actuarial Association	International	No	**Answer:** The structure and design of stress testing depends on the objective. Thus stress tests for purposes of liquidity needs, capital needs and longer term issues may differ on how they rely on top down versus bottom up approaches and their use for numerical or qualitative assessments. For example, Supervisory directed stress testing has at least two purposes, 1. Industry-wide top down testing of sensitivities or risk exposures of concern to the supervisor. While entity specific results are typically kept confidential by the supervisor, when appropriate, it is common for the aggregated results to be made public to help inform and align industry risk management. The IAA suggests that the insurance industry be consulted on the best manner of conducting such stress tests to ensure that practical issues are dealt with before the tests are carried out. 2. Entity specific confidential top down testing of sensitivities or risk exposures of concern to the supervisor that have not already (or suitably) been tested by the entity. Also individual insurers can only second- guess what management actions its peers may be planning in the event of a market-wide stress. The supervisor can assess the realism of these assumptions by reviewing the assumptions and actions used by other insurers in similar situations. 3. Both liquidity and capital needs will be a function of a company's product and organizational structures, so if aggregated ratios or summaries from a factor-based approach are used, there also needs to be an awareness of their shortcomings.
172. General Insurance Association of Japan	Japan	No	**Answer:** The role of supervisory stress tests is to assess the prudential level of the overall sector by using the same stress scenario. Specifically as follows: Firstly, to understand the relationship between each insurer´s risk correlations and risk concentrations. Secondly, to check whether risk correlations cause any collective action to hedge risks, which increase risks, and whether the bankruptcy of one insurer may lead to a chain-reaction of bankruptcies. Thirdly, as a result of the above, to confirm the possibility of systemic risk occurring.

173. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Ideally stress testing is performed by the insurance entity with clear guidance and communication between the local supervisor and the insurance entity. The local supervisor should consider the characteristics of each entity in determining the proper scope and design of stress testing.
174. Monetar y Authority of Singapore (M AS)	Singapore	No	**Answer:** Supervisory stress testing, which comprises both top-down and bottom-up stress testing, is a useful tool to detect the vulnerabilities of the insurance sector, using common scenarios prescribed by the supervisor. Scenarios should be constantly reviewed to ensure their relevance, and we can also use common scenarios across various financial sectors. We can also test relevant scenarios used by insurers for their own ORSA under ERM to assess if there are wider impact across the industry. Specifically on bottom-up and top-down stress testing under supervisory stress testing, we see both as equally essential. A bottom-up stress test would be more comprehensive in nature, given that insurers perform the projections in a detailed manner, and would also be able to advise on the management actions that could be taken in the event of a stress event to restore their capital positions. A top-down stress test would on the other hand, allow the supervisors to do high level consistency checks on the bottom-up stress test, as well as perform more frequent assessment of say market stresses on the insurers' portfolio independently
175. Direcció n General de Seguros y Fo ndos de Pens iones	Spain	No	**Answer:** It´s our understanding that the role should be aimed to identify vulnerabilities, including the following of those decisions adopted by the insurer in order to overcome the resulted situations where appropriate. It should not be followed as a " pass or file exercise" that runs into the adoption of specific regulatory actions.
176. State Se cretariat for In ternational Fi nance	Switzerland	No	**Answer:** Stress testing can be included into explanatory guidance, but not into a Standard. Stress tests may be a suitable tool, but there may be other techniques equally well fit for purpose. A Standard requiring a stress test approach would be binding and prohibit other methods.
177. Swiss R e	Switzerland	No	**Answer:** Supervisory stress testing can indeed be a valuable tool for assessing the vulnerabilities of the insurance sector and potential threats to financial stability. To properly assess the potential systemic impact of adverse economic events, the tested extreme scenarios must be plausible and justifiable. There is a tradeoff between instantaneous stress testing and multiyear scenario analysis, with the former being simpler to calculate, and the latter being more realistic for insurers, where events usually play out over several years and management actions can be carried out. We recommend the IAIS to focus on multiyear scenarios and to allow insurers to consider potential management actions and their mitigating impact. The proposal would allow the IAIS and supervisors to gain a better understanding of vulnerabilities and whether insurers have plausible response plans in place.

			Stress testing (or scenario analysis) in the systemic risk framework should inform about critical exposures and vulnerabilities and identify activities of potential concern. That is, stress testing in this context should lead to policy measures, if needed, targeting specific activities or products, as opposed to, for instance, capital add-ons. Note, as previously stated, even when exposures exist, they do not automatically reflect a source of systemic risk; mitigating/policy measures may not be warranted.
178. Aegon N V	The Netherlands	No	**Answer:** Aegon can support some form of stress testing within the holistic framework. The consultation document, however, appears to propose a broad array of stress testing involving as many as nine different regimes. The majority of these regimes would be either run or designed by supervisors. Designing, implementing, and maintaining this scope would require a vast resource commitment from both supervisors and insurers. Considering the high costs, the benefits to systemic risk supervision of each framework should be well-established. Within the holistic framework, we can support a form of sector-wide, macroprudential stress testing that is intended to assess the resilience of the sector a whole. We can also support requirements for stress testing within a company's enterprise risk management. However we oppose supervisor-prescribed micropridential stress testing on individual companies that can have the practical effect of creating an additional binding standard, perhaps indirectly through forced public disclosure. We are also opposed to capital stress testing approaches that involve calculating a post-stress solvency ratio, leading to an implicit requirement to hold capital to survive a stress on a stress. We also believe that stress testing has some relevance for capital and liquidity but is much less meaningful for counterparty exposure. While we support counterparty reporting requirements and internal exposure limits, counterparty stress testing, as stress testing is commonly understood, is uncommon, and we suspect that it may provide little value. Finally, liquidity risk analysis is inherently a "micro" issue and it is not necessarily clear whether meaningful liquidity analysis can be performed at an industry level. In summary, we do not support any form of prescribed individual company stress testing. We support requirements for company-developed ERM-related stress testing for macroeconomic exposure and liquidity. We support industry-wide stress testing for macroeconomic exposure, but the merits of industry-wide liquidity stress testing are not clear. Considering the resource expenditure, we encourage supervisors to be confident of the merits of each stress testing regime before including it in the holistic framework.
179. Association of British Insurers	United Kingdom	No	**Answer:** The role of supervisory stress testing is to identify whether individual insurers or groups of insurers are vulnerable to particular stress scenarios.

180. National Association of Mutual Insurance Companies	United States	No	**Answer:** NAMIC does not agree that duplicative stress testing requirements should be included in the ICPs. Supervisors should regard the current stress testing under the Own Risk and Solvency Assessment (ORSA) as an alternative to devising a new stress testing requirement.
181. RAA	United States and many other jurisdicitons	No	**Answer:** The RAA does not oppose supervisory stress testing as a means to assess sector-wide vulnerabilities that may give rise to systemic risk. However, we believe that it would be inefficient to make this assessment on a global basis by requiring new mandatory reporting. Instead, Supervisors should leverage the significant amount of detailed, industry aggregate data available in various jurisdictions separately and then roll it up in an overall assessment of potential vulnerabilities. This is particularly true for the U.S. that has unmatched and highly detailed financial reporting in the Annual Statement.
182. Prudential Financial, Inc.	United States of America	No	**Answer:** As noted in our overarching comments, we believe a meaningful assessment of systemic risk at the global level would require regulators to perform a coordinated cross sectoral assessment of how a shock to global financial markets - which serve as the connective tissue of the financial services sector - could impact activities, risk exposures, transmission channels and, potentially, global financial stability. In carrying out such an exercise the FSB could obtain a comprehensive view of how shocks to the financial system, or components of it, could potentially spread and better understand underlying drivers. The parameters of such an exercise should be driven by the FSB, with execution carried out by jurisdictional financial service regulators as an additional element of their local stress testing regime. While such an exercise would require extensive collaboration and communication across standard setting organizations, regulators, and industry it would ultimately serve as a more meaningful exercise than the narrowly focused and siloed global approaches currently employed. While we believe the broad, cross sectoral exercise described above is the most meaningful and informative approach for assessing global systemic risk, we recognize it would take time to achieve. In addition, we note that it is important to avoid excessive reliance on stress testing alone. Rather stress testing should serve as one element of a comprehensive supervisory and insurer risk management toolkit with other elements receiving commensurate focus. Please refer to our response to question 52 for additional feedback on the role of stress testing.
183. AIG	USA	No	**Answer:** The macro-prudential purpose of stress testing is to identify and assess potential accumulations of risk exposure and modes of transmission across both the insurance sector and financial services more generally. To achieve useful insights, it is important that stress tests strike an appropriate balance between common design elements (to support comparability) versus tailored scenarios and assumptions (to support relevance). Although stress testing is performed by insurance groups, it is important that the focus and execution remain on macro-prudential objectives. More specifically, results should be protected by strong confidentiality provisions; the public disclosure of results should

			not be traceable to individual groups; and results should be used for drawing thematic insights and mitigating strategies, and not for ranking or the "naming and shaming" of insurers. An over-emphasis on the application of stress testing to individual groups, rather than on system-wide dynamics, could lead to over-engineering of the stress scenario and assumptions; unwarranted responses by companies to "manage to the scenario"; and ineffective or reductive supervisory actions targeted at individual insurers rather than on addressing system-wide vulnerabilities.
184. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** Unlike other types of insurers for which cash flows can be significantly impacted by macroprudential factors such as changes in interest rates and yield curves, non-life insurers' cash flows reflect the simple fact that cash for premiums is paid in advance of the related policy coverage, and outflows for claims occur only upon the occurrence of an insured event and are thus paid much later --- in some cases, many years after the policy period has expired. We thus believe that stress testing for non-life insurers will have very limited value to supervisors. Rather, supervisors would be better served to understand and asses 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 level of systemic importance for a firm. Should a scenario modelled by an insurer result such a finding, it could then be assessed on a sectoral basis. However, and again, we strongly believe that such will not be the case for non-life firms.
185. CNA	USA	No	**Answer:** We would encourage the IAIS to consider the extent to which existing jurisdictional stress testing frameworks be leveraged effectively for this purpose in order to avoid duplicative and burdensome requirements on both insurers and supervisors. In analyzing the results of stress tests, we would caution against a rigid pass/fail approach and would advocate for both a quantitative and qualitative assessment of the results. Similarly, a less than optimal stress test result should not result automatically in the imposition of additional prudential measures, such as a capital add-on, but should form the basis for a supervisory conversation with the affected firm to discuss how to address the risk exposures that gave rise to a suboptimal stress testing result.
186. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** Stress testing is useful for the supervisor to assess impacts for "what if" scenarios; however, there are limitations to the use of supervisory stress tests that also need to be recognized. In particular, any particular supervisory stress may not be meaningful for a broad group of firms. Thus, these stress tests should be used in conjunction with other tools.
Q12 Is the development of an Application Paper on macroprudential surveillance deemed useful? Please elaborate.			

187. Canadian Institute of Actuaries	Canada	No	**Answer:** We support the IAIS recommendation that its approach to a central organization to monitor and supervise systemic risks be further developed in a separate application paper. We believe that further refinement of the approaches defined in the paper would help to define the risks and the approach to monitoring and supervisory action. We also believe that implementation of the framework should be deferred until these issues have been addressed; specifically, (1) include a definition of systemic risk including criteria that would cause a candidate risk to be designated a systemic risk, (2) include a definition of proportionality principle for the purposes of this paper, and (3) develop an approach to a central organization to monitor and supervise systemic risks. Should deferral of the implementation timeline not be a practical option, then we recommend that the IAIS provide a commitment to further engage with stakeholders on these issues as part of the implementation communication. This will help ensure that appropriate context is provided regarding the status of the framework development at date of implementation.
188. Manulife Financial	Canada	No	**Answer:** We propose that the Application Paper also encompasses a cross sector liquidity stress test to fully understand the transmission channel and the impact to the financial system as a whole.
189. Insurance Europe	Europe	No	**Answer:** Following the previous answer, the amendments to the Standards and Guidance on macroprudential surveillance should be strengthened and give guarantees to the industry on: data collection and stress-testing design and use. An Application paper could be useful for this purpose.
190. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** BaFin supports the development of an Application Paper for macroprudential surveillance. However, this should only be addressed after 2019 and the IAIS should take sufficient time to develop its stance. Also, the IAIS should try to reach out to EMDE countries to include a) their perspective, b) their good practises to capture all development states of the economy and c) help other EMDE countries to effectively develop their approach based on a well-informed AP. Specifically stress testing and useful metrics could be captures in an application paper. Depending on how the global monitoring will be organised, the IAIS may consider integration also a discussion on useful data for the analysis. Also, the IAIS could investigate the merits of discussion cooperation in the paper that goes beyond the IAIS discussions on the matter.
191. International Actuarial Association	International	No	**Answer:** Yes. Given the importance of identifying systemic risk and its trends due to its potential impact on the solvency of certain insurers and segments of the insurance sector, the IAA believes it is very important that insurance supervisors have access to a common set of materials outlining macroprudential surveillance practice. An Application Paper is needed as the techniques are sufficiently different from those typically practised by supervisors in entity-specific supervision. While insurance supervisors in more advanced economies may have well developed macroprudential practices, it is likely that the practices of many insurance supervisors are not yet well developed or integrated with the cross-sectoral supervisors in their jurisdiction. Cross-sectoral cooperation and sharing of macroprudential data is vital in the detection of systemic risk affecting insurers and the insurance sector. An Application Paper can assist insurance

			supervisors with cross-sectoral cooperation by differentiating the nature of systemic risk for insurers versus banks (e.g. longer term nature of some insurer risks as previously discussed in these responses).
192. The Life Insurance As sociation of J apan	Japan	No	**Answer:** The LIAJ welcomes that the stakeholders will have the opportunity to send their inputs in the planned consultation of Application Paper in the future.
193. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** ACLI supports the plan to develop application papers in the future that provide stakeholders further guidance on the Holistic Framework. The application papers should be subject to public consultation before being finalized.
194. Monetar y Authority of Singapore (M AS)	Singapore	No	**Answer:** Yes, it will be useful to have an Application Paper on macroprudential surveillance to provide guidance to jurisdictions on how the various elements and factors should be properly assessed and analysed. This will ensure some level of consistency across various jurisdictions, which could also be useful for IAIS' global monitoring exercise as mentioned in this paper.
195. Swiss R e	Switzerland	No	**Answer:** See our responses to Q9 and Q13.
196. Associati on of British I nsurers	United Kingdom	No	**Answer:** The ABI believes that an Application Paper on macroprudential surveillance could be useful.
197. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** Yes. The first step for a paper should be assessing whether there is in fact any systemic risk in the insurance sector. Surveillance is not a given necessity if there is not a real threat to the real economy from activities in the insurance sector.
198. Prudenti al Financial, I nc.	United States of America	No	**Answer:** We support the development of an Application Paper, which should be subject to public consultation. The Application Paper could serve as a useful resource for ensuring there is a sufficient understanding of the range of practices that may be employed to achieve the objective. The paper could also provide guidance to support/inform the application of the proportionality principle. Regarding paragraph 80, we reiterate our disagreement with references to the ICS given the preliminary and unproven nature of the tool. Consideration of the tool as a means for assessing and mitigating systemic risk before the conclusion

			of the 2020 to 2024 monitoring period is premature and references to it throughout the Holistic Framework should be struck.
199. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** We believe that an application paper can address a pervasive concern which has been raised by the manner in which the holistic approach is intended to be implemented by the IAIS, i.e., through measures added to the ICPs. The concern is that much of the background and context included in the Consultation Document, supplemented by what is learned through stakeholder responses, will be lost or left behind, or included only in brief guidance that does not sufficiently provide supervisors with an appropriate context to evaluate proportionality in the specific context of systemic risk. As noted earlier, we do not believe that non-life insurers are prone to systemic risk, certainly as compared to other financial sectors and even other sub-sectors of the insurance industry. That is very important context which supervisors need to consider, and which can be included in an Application Paper that will serve as a much more comprehensive, coherent and informative source of guidance than that which can be added to the ICPs on a standard-by-standard basis.
200. CNA	USA	No	**Answer:** We believe that an application paper can address a pervasive concern which has been raised by the manner in that the holistic approach is intended to be implemented by the IAIS, i.e., through measures added to the ICPs. We are also very interested, but concerned, regarding details how metrics from the ICS version 2.0 is envisioned to be leveraged for macroprudential risk assessment especially during the monitoring period. We also question the appropriateness of using the ICS for these purposes since we interpret the ICS as a microprudential tool with limited applicability to highlight macroprudential trends. We do request however that all application papers regarding the holistic framework be develop, exposed and finalized prior to the adoption of the holistic framework.
201. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** Micro and macroprudential monitoring should be responsive to developments in the market; however, it is impossible to delineate all of the issues that will be of concern. Thus, support from an Application Paper on macro-prudential surveillance would be helpful and should be informed from ongoing supervisory discussions and consideration in supervisory colleges. Such an Application Paper may also address how supervisors should address situations where there are potential conflicts in micro and macroprudential concerns.
Q13 What elements could be addressed in such an Application Paper?			
202. Canadian Institute of Actuaries	Canada	No	**Answer:** Need for prospective supervisory intervention: We recognize that one risk associated with the concepts described in the paper is the time lag between data collection with analysis and any potential supervisory intervention. It would be desirable for any approach taken to enable supervisors to take appropriate action before the referenced risks reach a crisis level.

203. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** A selection of topics could be: 1) data, 2) analytical tools, 3) cooperation, 4) stress testing, 5) metrics, 6) skills for supervisors (e.g. also extension of First ONE programme), 7) case studies and best practices from developed, emerging and developing countries.
204. International Actuarial Association	International	No	**Answer:** Among the many elements that could be included in an Application Paper, the IAA suggests the following: - Macroprudential surveillance (MS) provides supervisors with unique insight into the risks faced by insurers and segments of the insurance sector. MS requires supervisors to develop appropriate expertise and skills separate from, but complementary to, that used for entity specific supervision. - MS should incorporate knowledge and insights from many sources such as aggregated insurance sector data, other relevant financial sector data (banking, securities, economic performance etc), all sources of interconnectedness between financial sectors, views of the central bank etc. - MS should involve regular sharing of data and experiences between the financial sectors of the jurisdiction - MS should engage routinely with the insurance industry, especially its CRO's and Actuarial Functions (among others) to gather their views on macroprudential and systemic risk issues.
205. The Life Insurance Association of Japan	Japan	No	**Answer:** Following the previous answer in Q9, it should be clarified that the surveillance for liquidity risk assessment should be implemented in a holistic manner.
206. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Please refer to our response to question 12.
207. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** The Application Paper could include suggestion on the indicators that jurisdictions should assess and monitor. It will also be useful to provide background and rationale for the indicators, e.g. the type of systemic risks each indicator is addressing.
208. Swiss Re	Switzerland	No	**Answer:** Building on our response to Q9. We believe that "macroprudential surveillance" is an inappropriate term and that insurers´ exposure to macroeconomic factors is adequately addressed in the proposed systemic risk framework: The IAIS defines macroeconomic exposure as one of the possible exposures within the insurance sector that is capable of transmitting risk to the financial markets and the real economy. The IAIS should seek to solidify their approach to assess insurers´ macroeconomic exposures. Here the IAIS should focus on specific activities and products that have the

			potential to transfer macroeconomic exposure to the real economy. To avoid confusion and to ensure alignment, the IAIS should refer to "macroeconomic exposure monitoring", rather than "macroprudential surveillance". If the IAIS intends to develop an application paper on "macroprudential surveillance", the paper should be developed over the course of the next year, in parallel to, and as part of finalizing the systemic risk framework.
209. National Association of Mutual Insurance Companies	United States	No	**Answer:** See response to Q. 12.
210. Prudential Financial, Inc.	United States of America	No	**Answer:** A non-exhaustive list of elements that could be addressed include: + The use and role of insurer lead versus supervisor lead stress testing + The complimentary role of stress testing relative to other supervisory and risk management tools + Methodologies, frequencies, time horizons employed for various risk types + Methods for distinguishing/differentiating capital concerns from liquidity concerns and the fungibility of each, respectively + Methods for distilling cross sector views from information received + Application of proportionality
211. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** Please see our response to Q12, which suggests a comprehensive paper with guidance to enable supervisors to make proportionality assessments in the specific context of systemic risk. For example, we believe that it would be useful to compare and contrast macroprudential risks and related surveillance of banks with that of insurers and as well, among the key sectors of insurance, i.e., life, non-life, health, and reinsurance. In doing so, we are convinced that readers of such an Application Paper will then have the correct context to understand that most attention on macroprudential surveillance should be appropriately devoted to the banking sector, and that within the insurance sector itself, that non-life insurance, by its very nature, inherently poses significantly less systemic

			risk. With that backdrop, the Application Paper could focus on macroprudential surveillance techniques that respond to each in a proportional way. The Application Paper should not serve as a list of potential measures that are borrowed from other financial sectors with the implied message to supervisors being to "check the box" for each other sector.
212. CNA	USA	No	**Answer:** Please refer to our comments to question 12.
213. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** Please see our answer to question 12.
Q14 Are the proposals on macroprudential surveillance as described in section 3.2 appropriate? Please elaborate.			
214. Canadia n Institute of Actuaries	Canada	No	**Answer:** - Use of ICS as a monitoring tool for systemic risk: We note that Insurance Capital Standard (ICS) will not become a Prescribed Capital Requirement (PCR) until 2025 at the earliest. As such, ICS should not be used as a monitoring tool for systemic risk prior to that date. - Use of data in the monitoring process: As has been seen in comments on the ICS 2.0 papers, there are significant challenges in aggregating data across jurisdictions, and in ensuring a level playing field in terms of supervisory powers and intervention. These issues must be addressed within this context and are fundamental to the overall integrity of the holistic framework, and they must be clearly defined prior to the implementation of this framework.
215. Insuranc e Europe	Europe	No	**Answer:** The proposals on macroprudential surveillance could be appropriate under the condition that they are accurately defined and adequately targeted, which they are not at this stage of the IAIS' work. The consultation paper notes in Paragraph 80 that the ICS will provide a global risk sensitive measure that could be used to contribute to monitoring and assessment within the holistic framework. While this may be desirable in the long run, it should be noted that as part of the Kuala Lumpur agreement the IAIS has committed to not using the ICS as a basis to trigger supervisory action during the monitoring period. Therefore, Insurance Europe believes that the IAIS should clarify that the ICS should not be used as a basis for supervisory intervention under the holistic framework until it is formally implemented as a group-wide PCR.
216. Bundesa nstalt für Fina nzdienstleistu	Germany - BAFIN	No	**Answer:** With regard to ICS 2.0, the IAIS could consider mentioning that supervisors that implement a capital standard similar to ICS also beyond IAIGs would have a powerful tool at hand to measures certain risks. Currently, there will be a cliff effect and supervisors could be encouraged considering ICS or something similar for a broader set of insurers.

ngsaufsicht (BaFin)			
217. Global Federation of Insurance Associations	Global	No	**Answer:** The proposals on macroprudential surveillance could be appropriate under the condition that they are accurately defined and adequately targeted, which they are not at this stage of the IAIS' work. The consultation paper notes in Paragraph 80 that the ICS will provide a global risk sensitive measure that could be used to contribute to monitoring and assessment within the holistic framework. The ICS is incomplete and is not fit-for-purpose in its current form, with significant further work needed before it could be considered "final". Given its preliminary nature, the IAIS should remove all references to the ICS from the Holistic Framework.
218. International Actuarial Association	International	No	**Answer:** The IAA believes the proposals as described in section 3.2 (note the CD refers to section 3.1) are headed in the right direction although our responses to questions 8-13 and 15 provide specific feedback.
219. General Insurance Association of Japan	Japan	No	**Answer:** We firmly request that macroprudential surveillance consideration be given to insurers whose exposures have low potential of leading to a systemic impact. Also, fair treatment between different jurisdictions and other business types should be taken careful note of.
220. The Life Insurance Association of Japan	Japan	No	**Answer:** In paragraph 80, it is stated that ICS Version 2.0 would represent a global risk sensitive metric for the measurement of macroeconomic exposure. However, since ICS would not be finalized during the monitoring period, such criteria should not be applied as a metric for stress testing. The LIAJ would like to give an opinion on the details when the relevant Standards and Guidance are stipulated in the relevant ICPs in June 2019.
221. American Council of Life Insurers	Office of General Counsel	No	**Answer:** ACLI objects in the strongest terms to the inclusion of a risk-based global insurance capital standard (ICS) in the Consultation. The ICS is incomplete and is not fit-for-purpose in its current form, with significant further work needed before it could be considered "final". Given its preliminary nature, the ACLI calls on the IAIS to remove all references to the ICS from the Holistic Framework.
222. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** Yes. It is important for IAIS to monitor the risks globally to complement the jurisdictional level of macroprudential surveillance

223. Swiss R e	Switzerland	No	**Answer:** See our response to Q13.
224. Lloyd's o f London	UK	No	**Answer:** As noted in our response to question 9, we think that these proposals could be unduly prescriptive, although much will depend on the final form that the amendments to ICP 9 and ICP 24 take. We do not understand the reference to the global insurance capital standard (ICS) in paragraph 80. This standard is being developed for a particular purpose, in conjunction with ComFrame and there are dangers in viewing it as a tool for application to other purposes, such as the measurement of macro-economic exposure: if it had been intended for this purpose, its final form might have taken a different form. Under no circumstances should the scope of the ICS be extended to entities outside the purview of ComFrame. Question 15: What are the expected costs and benefits of the proposals on macroprudential surveillance as discussed in section 3.2? The costs of these proposals will depend on whether they prompt national supervisors to engage in data collection exercises beyond those that they already conduct. We believe that, in view of the volumes of data collected by supervisors from insurance undertakings under regulatory regimes such as Solvency II, there should be no need for additional demands for data: the information already in supervisory hands should be sufficient for them to assess systemic risk. The benefits of the proposals will be hard to quantify. There are costs associated with systemic events and if macroprudential surveillance could lead to supervisory action to avoid such an event those costs will be saved. This, however, is entirely speculative and requires a degree of faith in the efficacy of the various processes of collecting and analysing data and taking appropriate supervisory action.
225. Associati on of British I nsurers	United Kingdom	No	**Answer:** The consultation paper notes in Paragraph 80 that the ICS will provide a global risk sensitive measure that could be used to contribute to monitoring and assessment within the holistic framework. While this may be desirable in the long run, it should be noted that as part of the Kuala Lumpur agreement the IAIS has committed to not using the ICS as a basis to trigger supervisory action during the monitoring period. Therefore, it should be made clear that the ICS should not be used as a basis for supervisory intervention under the holistic framework until it is formally implemented as a group wide PCR.
226. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** No. The consultation paper notes in Paragraph 80 that the ICS will provide a global risk sensitive measure that could be used to contribute to monitoring and assessment within the holistic framework. This use of a microprudential tool for macroprudential surveillance is not appropriate. In the Kuala Lumpur agreement the IAIS has committed to not using the ICS as a basis to trigger supervisory action during the monitoring period. Therefore, NAMIC opposes the IAIS use of the ICS as a basis for supervisory intervention under the holistic framework at this stage

227. Prudential Financial, Inc.	United States of America	No	**Answer:** Please see our responses to questions 6 and 7 for feedback on section 3.1 and our responses to questions 8 through 13 for feedback on the proposals on macroprudential surveillance (section 3.2).
228. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** Para 80 says that the ICS, even during the monitoring period, would represent a global risk-sensitive metric to measure macroeconomic exposure. We strongly disagree. If adopted in late 2019, ICS 2.0 won't be fit for its intended purpose during the ensuing monitoring period, much less as a macroeconomic exposure measure for which it was neither designed nor field tested. The ICS will always be inherently backword-looking; despite being market-based, it will be reported months after a particular year-end valuation date and only at annual intervals thereafter. Given our understanding from the recent consultation process of stakeholders' deep concerns about the ICS, we believe the IAIS would be ill-advised to even consider using it in anything other than its intended capacity (which should remain appropriately limited during the monitoring period), certainly until those concerns have been addressed. We don't see that being a possibility until much later in the monitoring period, if then.
229. CNA	USA	No	**Answer:** Para 80 says that the ICS, even during the monitoring period, would represent a global risk-sensitive metric to measure macroeconomic exposure. We strongly disagree. If adopted in late 2019, ICS 2.0 won't be fit for its intended purpose during the ensuing monitoring period, much less as a macroeconomic exposure measure for which it was neither designed nor field tested. The ICS will always be inherently backward-looking; despite being market-based, it will be reported months after a particular year-end valuation date and only at annual intervals thereafter. Given our understanding from the recent consultation process of stakeholders' deep concerns about the ICS, the IAIS would be ill-advised to even consider using it in anything other than its intended capacity (which should remain appropriately limited during the monitoring period), certainly until those concerns have been addressed. We do not see that being a possibility until much later in the monitoring period, if then.
230. Liberty Mutual Insurance Group	USA	No	**Answer:** These proposals are not appropriate, because they attempt to employ microprudential tools for macroprudential supervisory purposes. Most critically, ICS Version 2.0, which is clearly a microprudential standard, should not be used in connection with determining systemic risk. ICS Version 2.0 is not finalized for its intended use and, therefore, should not be used for other purposes. Moreover, if ever finalized and adopted by the IAIS, each IAIS member jurisdiction will decide if it will use the ICS. As a result, the decision as to whether to use the ICS for purposes of assessing systemic risk should similarly be left for each separate jurisdiction. Use of the ICS, particularly in its current unfinished state, will not accurately contribute to the monitoring and assessment element within the holistic framework as the Consultation Draft asserts in Paragraph 80.

231. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** Assuming the reference to 3.1 should be to 3.2, one issue that this section does not address is that there may be times where there are potential conflicts between the application of micro and macroprudential risk considerations. For example, insurers are expected to hedge their risks, accomplished many times through various derivatives, yet derivative collateral calls are a liquidity risk consideration. However, both these items are important to an individual insurer's financial health. This will be an important issue to address when considering expectations regarding supervisory responses.
Q15 What are the expected costs and benefits of the proposals on macroprudential surveillance as discussed in section 3.2?			
232. Insuranc e Europe	Europe	No	**Answer:** The expected costs will originate in the implementation of data collection and stress-testing exercises. Recent experience in Europe has highlighted that stress-testing required the development of new calculation and reporting tools, as the design of the exercise did not allow for the re-use of regular closing tools.
233. Bundesa nstalt für Fina nzdienstleistu ngsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** An estimate for the associated cost is ex ante difficult to provide. However, there is a high likelihood that additional costs not only for insurers but also for supervisors will occur, depending on the scope of the surveillance and the intensity, which would be a result of the risks observed.
234. Global F ederation of I nsurance Ass ociations	Global	No	**Answer:** If done in a proportionate and tailored manner, macro-prudential surveillance can be useful in identifying and mitigating systemic risk in the insurance sector. If inappropriate components are included this could impose significant costs on consumers, financial markets, and insurers. In particular, the costs of potential data reporting and added capital requirements will be significant.
235. Internati onal Actuarial Association	International	No	**Answer:** The hard costs of MS result from the need to retain adequate expertise to carry out the necessary work. Soft costs arise from the need for current supervisory staff focused on entity specific supervision to liaise with MS related analysis. The benefits of MS are improved abilities of the insurance supervisor a) to be proactive with regard to emerging and systemic risks, b) to more effectively carry out risk-based supervision of its insurance entities and c) to coordinate and cooperate with other financial sector supervisors.
236. General Insurance As sociation of J apan	Japan	No	**Answer:** Even though we need more detailed information to assess the expected costs and benefits because the proposal only shows a basic stance, excessive costs should be avoided.

237. The Life Insurance As sociation of J apan	Japan	No	**Answer:** With regard to data collection on macro prudential surveillance, the LIAJ believes that it should collect as much appropriate data as needed for the purpose and should avoid an unnecessary collection exercise and incurring additional costs.
238. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** ACLI does not have any quantifiable data with respect to expected costs and benefits. If done in a proportionate and tailored manner, macro-prudential surveillance can be useful in identifying and mitigating systemic risk in the insurance sector. If inappropriate components are included (e.g., the ICS) it could serve to create the very financial stability concerns it aims to prevent, which would impose significant costs on consumers, financial markets, and insurers.
239. Monetar y Authority of Singapore (M AS)	Singapore	No	**Answer:** We do not foresee additional costs in conducting the macroprudential surveillance mentioned under section 3.2 as it already forms part of our macroprudential analysis.
240. Swiss R e	Switzerland	No	**Answer:** See our responses to Q9 and to Q13.
241. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** See GFIA response.
242. RAA	United States and many other jurisdicitons	No	**Answer:** Proportionate macro-prudential surveillance can be useful in identifying and mitigating systemic risk in the insurance sector. As expressed in comments above, we are concerned that the costs of potential new data reporting may be significant.
243. Prudenti al Financial, I nc.	United States of America	No	**Answer:** Absent further details it is difficult to provide a specific assessment of the potential costs and benefits of the proposals on macroprudential surveillance (section 3.2). However, we note the following potential impacts: + Leveraging existing microprudential and jurisdictional practices for purposes of these objectives would minimize the potential for additional costs for supervisors, insurers, and consumers + Policy measures that fail to provide sufficient and accurate insight into risk or exacerbate elements of concern (e.g.,

			the volatility and procyclicality the ICS would introduce) would undercut the IAIS objectives of protecting policyholders and preserving financial stability + Effective application of the proportionality principle is key for ensuring supervisors obtain a sufficient view of potential risks within their market + Maintaining confidentiality of data reported by insurers is another element that could significantly impact the costs and benefits of tools used for macroprudential surveillance purposes
244. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** We believe that the costs may be quite high depending on the specific requirements put in insurers. Continually greater demands for testing and data have added substantially to compliance costs for insurers. Macroprudential surveillance depends on data, which comes from insurers such as our members. We believe that, more so than many other jurisdictions, U.S. insurers already provide a wealth of data to supervisors for analysis. In some cases the data is required in a detailed prescribed format, in other cases, such as ORSAs in the U.S., the company has more discretion as to the nature, extent, and level of detail of the information. Any enhancements to macroprudential surveillance will inevitably turn toward the need for data. Such efforts should respect the extensive amount of data that already exists and do as much as possible to avoid data calls that are redundant, or which cast such a wide net that they lose focus on the very systemic focus that initiated the request. For implementation of such data requests to occur, supervisors will have to be mindful of the need for supervisory measures to be cost-beneficial, else they won't be implementable. As the IAIS provides guidance to its members in this respect, it should keep that cost-beneficial focus at the forefront as well.
245. CNA	USA	No	**Answer:** Such an expansion of systemic oversight will come at a significant cost to both the industry and host supervisors as well as introducing a tremendous amount regulatory risk to the entire sector. Such uncertainty regarding what lawful activities could be deemed systemic in the future is counterproductive from a capital markets and product innovations point of view. It is difficult to attract capital to an industry where lawful activities may be retroactively deemed systemic resulting in substantial regulatory actions including increased capital requirements and other transactional limitations. Prior to adopting and implementing this new framework we would recommend a robust and transparent cost benefit analysis be conducted by the IAIS with input from jurisdictional supervisors. Since insurance supervisors in most jurisdictions have not performed this type of analysis and assessment previously we would suggest performing an analysis if the jurisdictions the intellectual resources necessary to perform the systemic assessment on an industry wide basis. We would also request that this analysis determine if the systemic assessment is going to be performed directly by the supervisor or if the responsibility will be delegated to a third party which is not subject to legislative oversight.

			From our perspective such oversight is critical due to the nature of the assessment and its potential impact on the sector and the real economy.
246. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** The NAIC assumes that the reference to 3.1 should be to 3.2.
Q16 Do you agree with the above proposal to amend the Standards and Guidance on ERM? Please elaborate.			
247. Manulife Financial	Canada	No	**Answer:** Yes **Comment:** Liquidity risk exposure could vary widely between insurers depending on their activities, as a result, the Standards should be principle based, rather than rule based, to allow insurers to develop their own policies for liquidity risk management.
248. Insuranc e Europe	Europe	No	**Answer:** No **Comment:** Insurance Europe generally agrees with the principle of the proposed enhancements to ICP 16 as set out in Paragraph 90, apart from the bullet indicating that guidance should include “the report to the supervisor”. The IAIS should clarify that the ORSA should be the first tool the supervisor uses to assess how an insurer manages its liquidity risk within its ERM framework. If the ORSA is satisfactory, a separate report would be duplicative in this respect and unnecessary. Insurance Europe also has concerns over the prescriptiveness of the proposed Application Paper on Liquidity Planning. This should be principles-based and not prescriptive, given that its purpose is to provide guidance on how the standards can be applied, rather than setting standards. Finally, the safeguards that will address any liquidity shortfall should encompass the management actions of the insurers.
249. Allianz	Germany	No	**Answer:** Yes **Comment:** We welcome the stronger focus on liquidity risk by the IAIS. While insurers are typically liquidity rich, the risk nonetheless should be part of the regular ERM system including liquidity planning and liquidity risk management. More specifically, we support the establishment of a liquidity risk management report to the supervisor.

250. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** Expanding the Standard in ICP 16 to explicit capture also liquidity risk is the logic next step considering the IAIS' work since the introduction of the G-SI policy measures and the revised "NTNI" paper in 2016. The separation in a high level standard and more detailed guidance is an appropriate way forward. However, we propose to drop the bullet on the "metric used in such an assessment" since we don't need to be prescriptive in guidance. Rather we should implement in guidance that a metric could be used. Moreover the consideration of stressed scenarios should only be applied in a proportionate manner and the report to supervisor should only be necessary when the liquidity risk is significant.
251. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** GFIA generally agrees with the principle of the proposed enhancements to ICP 16 as set out in Paragraph 90, apart from the bullet indicating that guidance should include "the report to the supervisor". The IAIS should clarify that the ORSA should be the first tool the supervisor uses to assess how an insurer manages its liquidity risk within its ERM framework. If the ORSA is satisfactory, a separate report would be duplicative in this respect and unnecessary. GFIA also has concerns over the prescriptiveness of the proposed Application Paper on Liquidity Planning. This should be principles-based and not prescriptive, given that its purpose is to provide guidance on how the standards can be applied, rather than setting standards. Finally, the safeguards that will address any liquidity shortfall should encompass the management actions of the insurers.
252. International Actuarial Association	International	No	**Answer:** Yes
253. General Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** We agree with clarifying the Standards and Guidance on liquidity risk. However, they should be proportionate in relation to the size and type of the business of the insurer and its propensity to create liquidity risk exposure as stated in paragraph 91. Also, Standards applied to groups and those applied to individual insurers should be distinguished clearly. In addition, it is inappropriate to impose enhancement of general management of liquidity risk as we believe liquidity risk highly-related to systemic risk, such as credit derivatives and underwriting of unlimited insurance, is limited. Therefore, targets should be defined.

254. The Life Insurance As sociation of J apan	Japan	No	**Answer:** No **Comment:** In paragraph 90, more detailed guidance on liquidity planning and management are presented. However, it is overregulation for insurers who hold adequate liquid assets. Therefore it should be clarified that these guidance would not be applied to insurers who hold adequate liquid assets. Even in cases where liquidity planning and management are required, it is clear that the characteristics of liabilities and assets held in each jurisdiction are different, and uniform requirements should not be applied, and proportionality should be considered.
255. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** ACLI believes it is appropriate that liquidity be a subject that is addressed within ERM. We also note that many jurisdictions, including the U.S., are developing macro prudential tools which should be leveraged for purposes of informing the IAIS' assessment of global systemic risk. While not included in this specific section we note that we have concerns with the content of Annex 2, which should be subject to a separate and stand-alone consultation process.
256. Swiss R e	Switzerland	No	**Answer:** Yes **Comment:** We are generally supportive of the amended requirements.
257. Aegon N V	The Netherlands	No	**Answer:** Yes **Comment:** Yes, we support the proposed additional content around liquidity planning in ICP 16 and the related ComFrame content.
258. Associati on of British I nsurers	United Kingdom	No	**Answer:** No **Comment:** The ABI generally agrees with the principle of the proposed enhancements to ICP 16 as set out in Paragraph 90, apart from the bullet indicating that guidance should include "the report to the supervisor". The IAIS should clarify that the ORSA should be the first tool the supervisor uses to assess how an insurer manages its liquidity risk within its ERM framework. If the ORSA is satisfactory, a separate report would be duplicative in this respect and is unnecessary. We also have concerns over the prescriptiveness of the proposed Application Paper on Liquidity Planning.

			This should be principles-based and not prescriptive, given that its purpose is to provide guidance on how the standards can be applied, rather than setting standards.
259. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** No **Comment:** Until there is a meaningful, absolute assessment of systemic risk in the insurance sector meeting the criteria of the systemic risk definition that such risk will affect all or part of the financial system with serious negative consequences for the real economy, making any changes to ERM or other reporting mechanism is not justified.
260. Prudenti al Financial, I nc.	United States of America	No	**Answer:** Yes **Comment:** We support principles-based standards and guidance that focus on ensuring (i) the stature and importance of the risk management function and (ii) the provision of timely and complete information about the firm's enterprise-wide risk profile to facilitate oversight of material entities and core business lines. Principles-based standards and guidance provide flexibility for insurers to develop firm-specific risk management programs that are tailored to the unique liquidity risks of each entity and to enhance approaches over time. They also better accommodate effective governance and risk-management arrangements that have been developed around established organizational structures and practices.
261. AIG	USA	No	**Answer:** No **Comment:** We believe that the standards, in practice, should allow for flexibility in the execution of specific roles within the liquidity planning process. In many cases, the Finance / Treasury function plays an active role in liquidity management, including liquidity planning and funding, with ALM functions not focused on short term cash flow mismatches (e.g. mismatches over day, week, month, etc.) and not involved in funding management. In this organizational model, ERM does not perform liquidity management activities and, instead, is responsible for the liquidity risk management framework, including determination of risk limits.
262. America n Property Ca sualty Insuran ce Associatio n (APCIA)	USA	No	**Answer:** No **Comment:** We see no differentiation in the proposal as to how it would differ by sector, i.e., life v. non-life, nor do we see how the proposal would benefit from the cross-sectoral comparison described in paragraph 26. We believe those to be important considerations in implementing the proposal in that, among other things, they would assure that the drafting of any additional ICP /ComFrame material on liquidity risk would be mindful of the fact that such risk is significantly less

			for insurers as compared to banks, and especially so for non-life insurers. Please see also our response to questions 11 and 13.
263. CNA	USA	No	**Answer:** No **Comment:** We see no differentiation in the proposal as to how it would differ by sector, i.e., life v. non-life, nor do we see how the proposal would benefit from the cross-sectoral comparison described in paragraph 26. We believe those to be important considerations in implementing the proposal in that, among other things, they would assure that the drafting of any additional ICP /ComFrame material on liquidity risk would be mindful of the fact that such risk is significantly less for insurers as compared to banks, and especially so for non-life insurers. Please see also our response to questions 11 and 13.
264. Northwestern Mutual	USA	No	**Answer:** Yes **Comment:** Yes, provided the proposals are implemented consistent with the principle that a firm's ERM should be appropriate for the nature, scale, and complexity of the insurer and its risks. This principle applies equally with liquidity risk as with other categories of risk.
265. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** Regarding the first bullet point under paragraph 90, it is not clear what an "enforcement mechanism" means. Assuming it refers to the supervisor's ability to enforce the new standard, this is not necessary as the supervisor having the authority to apply or enforce a requirement is implied across all the ICPs. Also, as part of the first bullet point, the reference to "…require IAIGs, and other insurers as necessary…" is awkward. If the new standard is intended for ICP 16, then the standard is applicable to all insurers, subject to the principle of proportionality.
Q17 Do you agree with the above proposal to apply the more detailed requirements on liquidity planning and management to IAIGs, and other insurers as necessary? Please elaborate.			
266. Manulife Financial	Canada	No	**Answer:** Yes **Comment:** Paragraph 91 says "provide a package of requirements with graduated intensity that should be applied in a proportionate manner, in relation to the size and type of business…", which refers to entity-based approach. Although we agree with the proposal, we do not agree that the requirements should be based on the size of the entity. Rather, the focus should be the magnitude of the activities that could potentially create liquidity risk exposure. In

			addition, before we impose any requirements, we should conduct a cross-sector stress test to understand whether a particular activity could potentially cause a systemic stress, so we are not imposing additional requirements on insurers that would not translate to a systemic stress.
267. Insurance Europe	Europe	No	**Answer:** No **Comment:** More detailed requirements on liquidity planning, management and reporting need to be carefully analysed, taking into account the benefits and costs induced to the industry and the financial system. Liquidity planning should be aligned with an insurer's business and form part of its enterprise risk management. If the IAIS considers that further guidance is required to strengthen liquidity reporting, Insurance Europe considers this would be more appropriately addressed in the first instance through the ORSA requirements in ICP16. If the ORSA is satisfactory, Insurance Europe does not believe that separate public reporting will add value.
268. Allianz	Germany	No	**Answer:** Yes **Comment:** Liquidity planning and liquidity risk management should be part of each insurer's ERM system.
269. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** The proposed differentiation is positive. It also reflects the process agreed by the IAIS regarding Recovery Plans. The opening for insurers beyond IAIGs leaves discretion to supervisors. While acknowledging the benefits of this degree of flexibility, we believe that we should develop a common understanding that insurers with significant exposure, even if they are only active in one market, should be required to provide liquidity planning to their supervisor. Size could serve as a proxy, at least to require such insurers to submit an initial, maybe less granular, assessment of the related risks. Regarding the Application Paper, the IAIS should give this more time and only work on this after 2019. It should be first priority to finalise the Holistic Framework including the exact ICP/ComFrame texts and the details of the global monitoring. After that is finalised at the end of 2019 the IAIS can shift its focus on the development of application papers. Also, it should be carefully considered which AP should be developed first, macroprudential surveillance or liquidity planning. BaFin refrains from submitting any comment on the attached draft, but wants to express that further work will be needed and the draft included in the document can only be seen as indication of the future content.
270. Global Federation of I	Global	No	**Answer:** No

nsurance Ass ociations			**Comment:** More detailed requirements on liquidity planning, management and reporting need to be carefully analysed, considering the benefits and costs induced to the industry and the financial system. Liquidity planning should be aligned with an insurer's business and form part of its enterprise risk management. If the IAIS considers that further guidance is required to strengthen liquidity reporting, GFIA considers this would be more appropriately addressed in the first instance through the ORSA requirements in ICP16. If the ORSA is satisfactory, GFIA does not take the view that separate public reporting will add value.
271. International Actuarial Association	International	No	**Answer:** Yes **Comment:** Yes, although even for IAIGs there may be a need to apply the requirements in a proportionate manner. The amount of systemic risk faced or generated by an IAIG can vary materially by IAIG based on the business model and markets.
272. General Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** Whether or not more detailed requirements on liquidity planning and management should be applied ought to be decided depending not on whether they are IAIGs, but on if they are groups/insurers with significant exposures that may potentially lead to a systemic impact. In addition, it is inappropriate to impose enhancement of general management of liquidity risk as we believe liquidity risk highly-related to systemic risk is limited. Therefore, targets should be defined.
273. The Life Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** Following the previous answer in Q16.
274. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** As noted in our response to question 16, ACLI supports a focus on liquidity planning and management. However, we reiterate our view that IAIS guidance should be principles based and in practice the Holistic Framework should leverage the work of jurisdictional supervisors. In addition, we support the development of application papers as a means for providing greater guidance on the Holistic Framework. These documents should be subject to public consultation and to that end, we appreciate the IAIS including a preliminary version of the Liquidity Risk Management application paper in Annex 2. Since no questions were included for this portion of the consultation document we offer our initial assessment on Annex 2 here – ACLI believes the

			detailed requirements are too granular and prescriptive. To ensure an assessment provides a meaningful measure of risk insurance supervisors must have the ability to tailor liquidity measurement frameworks to the local conditions prevalent in their market. We also believe the tiered asset classifications, prescribed buffers and other detailed requirements are unlikely to be useful in practice and reiterate our call for the IAIS to focus on establishing more principles-based guidance.
275. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** Yes **Comment:** During the drafting of the ICP and ComFrame requirements, the IAIS should consider that the application of these liquidity planning and management requirements would differ based on the nature of business (e.g. life vs non-life vs reinsurers) and size of the insurers' operations. For the requirement relating to the submission of a liquidity report to the supervisor, we suggest for the drafting to provide flexibility for supervisors to determine the scope and level of detail in the report depending on the size and nature of the insurer's business
276. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** We understand that liquidity is an important component of the systemic risk framework. We are therefore mostly supportive of the overall amended requirements. However, while they are duly mentioned in para. 84 and 85, we think that the proposed requirements insufficiently recognize the value of existing ERM, ALM and the 'Liquidity Management Plan'. In particular, a liquidity gap analysis is more appropriate to the management of liquidity risk in insurance than a 'liquidity metric', as it projects the liquidity situation of an insurer over time (short, medium and long term). We therefore recommend that the IAIS opts for an outcomes-based approach by aiming for insurers to establish a liquidity framework, based on a liquidity gap analysis: The liquidity gap analysis should capture the levels of liquidity over time and account for the specificities of the firm's business model and its treasury operations, in accordance with the overall approach to ERM in a given jurisdiction. If the IAIS indeed proposes a liquidity metric, it needs to adequately complement insurance capital/solvency considerations. Such a liquidity metric could be derived from the liquidity gap analysis. We certainly do not support the banking sector liquidity ratios (NSFR and LCR) as they are not adapted to the insurance business model. In addition, while these ratios appear simple on the surface, they are informed by a significant range of data points. Additionally, we acknowledge the need to monitor liquidity at the group and within entities; however: (a) the group liquidity view needs to account for the liquidity of entities, and (b) the entity liquidity view needs to adequately account for liquidity pooling at the group level; liquidity at the group can be redeployed to entities. The latter is accounted for in ORSA and/or recovery planning for instance.

			Note: In para. 89 the IAIS refers to annex 3. We believe it should refer to annex 2.
277. Aegon N V	The Netherlands	No	**Answer:** No **Comment:** We support the underlying principle of proportionality. We have concerns, however, about the "cliff effect" created by inclusion of significantly different liquidity requirements between ComFrame and the ICPs that have little to do with international activity that is the defining characteristic of IAIGs. We believe that large non-IAIGs need to have sophisticated liquidity management tools in place as much as IAIGs do. Therefore we encourage the IAIS to include this content within the ICPs, with an extra emphasis on proportionality—perhaps in the proposed application paper—so as not to overburden small insurers.
278. Lloyd's o f London	UK	No	**Answer:** No **Comment:** The overview of liquidity risk in this section and in Annex 2 does not mention the different business models of life and non-life insurance undertakings, even though these are crucial to understand how liquidity risk can arise in the two sectors. Most non-life insurance is provided on an annual basis and a large proportion of non-life insurance investment is in highly-liquid assets to match the resulting liabilities. The IAIS needs to explain what it means by liquidity risk in the non-life sector and how its proposals will provide additional safeguards to those already in place in insurance regulatory systems globally.
279. Associati on of British I nsurers	United Kingdom	No	**Answer:** No **Comment:** Liquidity planning should be aligned with an insurer's risk appetite and form part of its enterprise risk management. If the IAIS considers that further guidance is required to strengthen liquidity reporting, the ABI considers this would be more appropriately addressed in the first instance through the ORSA requirements in ICP16. If the ORSA is satisfactory, we do not consider that separate public reporting will add value.
280. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** No **Comment:** Until there is a meaningful, absolute assessment of systemic risk in the insurance sector meeting the criteria of the systemic risk definition that such risk will affect all or part of the financial system with serious negative consequences for the real economy, making any changes to liquidity planning or other reporting mechanism for any insurers is not justified.

281. Prudential Financial, Inc.	United States of America	No	**Answer:** No **Comment:** As stated in our response to question 16, we support principles-based standards and guidance. Overly prescriptive standards fail to accommodate the wide range of insurer business models, products, etc. that exist around the world.
282. AIG	USA	No	**Answer:** No **Comment:** The macro-prudential value of liquidity planning is to enable supervisors to (i) assess sectoral and system-wide risk trends (i.e., how risks emanate from particular activities in a stress environment) and (ii) understand the potential broader market behaviors, impacts, and mitigants (i.e., how risks could be amplified and transmitted through correlated reactions to stress events). The macro-prudential oversight framework should therefore balance prescription with principles-based methods. As an analytical goal, the results should be amenable to aggregation and synthesis of macro-level insights, while still conveying meaning, context, and appropriateness. Liquidity assessments should be anchored in cash flow projections and not on hardwired, predetermined factors applied to assets or liabilities. Stress testing should inform management decision-making and risk mitigation, and not simplistically generate a “pass/fail” metric. It is also essential that the concept and parameters for eligible liquid resources not mimic or build on the banking LCR framework. Insurer balance sheets, liabilities, and liquidity risk profiles are fundamentally different from those of banks. Asset liquidity is a function of market conditions. Based on the market conditions posited in the stress scenario, certain investment grade assets apparently excluded could in practice serve as a reliable source of liquidity (e.g., financial institution debt, non-agency RMBS/CMBS, other ABS) and should be eligible for inclusion in the liquidity buffer. Such inclusion would reduce the potential for both herding and hoarding effects on eligible liquid assets and better enable insurers to stabilize financial markets during a stress scenario. Indeed, a synthetically narrow definition of liquid resources would compromise the ability of insurers with long duration liabilities to purchase fundamentally sound, but temporarily illiquid, assets during a stress period.
283. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** No **Comment:** We agree with the proportional application of supervisory measures suggested by the holistic framework. This is especially important inasmuch as transitioning from an EBA to the holistic framework which is also activities-based, such measures could be applied to many insurers, not just a limited number of G-SIIs or IAIGs. If the concept of proportionality is applied, it seems very unlikely that any non-life insurers would require additional liquidity planning due to systemic risk concerns. The guidance that will be developed on the factors that should be considered when deciding if

			a requirement should be applied to groups will therefore be very important, and we would appreciate the opportunity to consult with the IAIS on that when drafted. Our concern is that implementing many of the recommendations of the holistic framework through ICP text will result in unintended application of certain supervisory measures to a broader population of smaller insurers that do not pose systemic risk individually or as significantly impact sectoral risks. Proportional application is thus key, but we again refer to our general comment on proportionality in response to question # 6 herein for your convenience.
284. CNA	USA	No	**Answer:** Yes **Comment:** On a proportionate basis, it appears reasonable that IAIGs provide detailed information regarding liquidity planning and management as an component of the ComFrame initiative as it seems unlikely that a non-life insurers would be required to provide additional liquidity planning information due to systemic risk concerns.
285. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** Yes and no. The proposal is appropriate for IAIGs but not for non-IAIGs. The proportionality principle in paragraph 66 (as inherent in ICPSs in general) should allow a jurisdiction's supervisor to establish the appropriate requirements for their markets.
Q18 Do you agree with the above proposal to amend the Standards and Guidance on disclosure? Please elaborate.			
286. Insuranc e Europe	Europe	No	**Answer:** No **Comment:** While transparency can at times be seen as a tool to promote best practice, in this instance, Insurance Europe believes that such measure may increase systemic risk, since they could lead to unpredictable policyholder behaviour. The proposed public disclosures on liquidity risk seem counterproductive and should not be further considered by the IAIS.
287. Allianz	Germany	No	**Answer:** No **Comment:** We question the need for the IAIS to propose amendments to disclosure requirements for financial statements regarding liquidity. The IASB is the competent organization for this and is currently focusing their attention to the finalization of IFRS 17 which is a key priority for the industry. As such and considering that there has been no strong urge by other stakeholders for such liquidity disclosure we would urge the IAIS to abstain from such interference.

288. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** Yes, the proposed amendments to ICP 20 are appropriate. BaFin would like to emphasise that the standard should only be amended for requiring guidance for liquidity disclosure but not go into details. Also, BaFin welcomes the reference to “material liquidity risk” since disclosure should not be a goal in itself but rather provide public information where a relevant risk is identified and the information adds value to investors and interested parties.
289. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** While transparency can at times be seen as a tool to promote best practice, in this instance GFIA is of the view that such a measure may increase systemic risk, since it could lead to unpredictable policyholder behaviour. The proposed public disclosures on liquidity risk seem counterproductive and should not be further considered by the IAIS. If current ORSA and other insurer filings and plans are inadequate to address concerns, supervisory reporting of the systemic risk management could be more effective and in line with the objectives of the IAIS than public disclosure.
290. International Actuarial Association	International	No	**Answer:** No **Comment:** We believe that the proposal needs further refinement, as, for example, not all insurance policies have surrender values and hence there should be further consideration given to the circumstances under which liquidity risk is deemed to be sufficiently material to warrant full disclosure.
291. General Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** We do not believe public disclosure of information on liquidity risk is necessary for the following reasons: - Liquidity risk expresses different characteristics depending on the nature of products and liabilities. This is why disclosure based on uniform standards may lead to misunderstandings by those who see it and cause unnecessary confusion in markets. Also, developing uniform standards would be in conflict with the current ICP 20, which states disclosure should take into account the nature, scale and complexity of the activities of insurers. - In addition, to achieve the objective, we think reporting on the management of systemic risk to supervisors is more important than public disclosure.
292. The Life Insurance As	Japan	No	**Answer:** No

sociation of J apan			**Comment:** With respect to the liability liquidity disclosure, the calculation method of liquidity might be different depending on the business characteristics of insurers. If insurers disclose according to the uniform standard, it might lead misunderstandings. Therefore, since it might cause the unintended consequence, it should not be added as Standard. It would give a sense of security if it could disclose that liquidity is properly managed according to fully adjusted standards. On the other hand, once a concern arises due to environmental changes, it should be noted that even if the change is temporary, disclosure might have an adverse effect and might lead to an irreversible vicious circle.
293. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** As noted above, the assessment of liquidity risk is an appropriate activity for insurance supervisors in connection with macro-prudential surveillance. We do have concerns with the overly-prescriptive nature of the contemplated disclosures. The reference to “banking products and activities” is not helpful and only encourages the concern that specific insurance products will be disadvantaged through this exercise.
294. Monetar y Authority of Singapore (M AS)	Singapore	No	**Answer:** Yes **Comment:** We propose that the standard should focus on disclosures (rather than discussions) of the liquidity risk information.
295. Swiss R e	Switzerland	No	**Answer:** No **Comment:** Individual firm disclosure is unlikely to contribute to the containment and management of systemic risk. For this reason, additional disclosure requirements, if any, should not be prescriptive in our view.
296. Aegon N V	The Netherlands	No	**Answer:** No **Comment:** We urge caution around the proposed requirements for public disclosure of liquidity information. Liquidity information could easily be subject to misinterpretation by the general public. In a crisis, misinterpreted quantitative liquidity information could undermine confidence, foster mass withdrawals, and exacerbate a crisis. We encourage the IAIS to reconsider this part of the framework.
297. Associati on of British I nsurers	United Kingdom	No	**Answer:** No

			Comment: The ABI does not agree with the proposal to amend the Standards and Guidance on disclosure – please refer to our answer on Question 17.
298. National Association of Mutual Insurance Companies	United States	No	**Answer:** No **Comment:** Confidentiality of the individual insurer information provided to the IAIS or the jurisdictional supervisor is critically important to encourage an open and educational sharing of the potential risks. NAMIC does not support disclosure of the information reported by insurers.
299. Prudential Financial, Inc.	United States of America	No	**Answer:** No **Comment:** Disclosure requirements should be principles-based to ensure insurers have flexibility to provide disclosures that clearly describe its liquidity risks. Key to an appropriate principles-based approach is placing equal emphasis on quantitative disclosures of relevant liquidity positions and qualitative explanations of mitigants to liquidity risk that are available to the insurer. More broadly, while some degree of liquidity risk disclosure to the public is appropriate (e.g., the disclosures in U.S. GAAP financial statements which highlight the liquidity position at the group and insurance entity level and liquidity risk that can arise from activities), we believe the disclosure of more granular information and metrics on liquidity risk should be limited to supervisors.
300. AIG	USA	No	**Answer:** No **Comment:** Liquidity disclosures could be misleading or confusing to investors and ultimately might undermine macro-prudential objectives. Proper assessment of group-wide liquidity requires a deeper contextual understanding of each entity’s liquidity risk profile, product attributes, ALM, market environment, and stress scenarios and embedded assumptions. Meaningful and comparable disclosure would require the use of a common language and the existence of standardized products – neither of which currently exist across jurisdictions and insurance companies.
301. Liberty Mutual Insurance Group	USA	No	**Answer:** No **Comment:** We disagree with this proposal. The expansive new disclosures proposed in Paragraph 94 are a particularly significant example of the proposed exercise of supervisory powers that do not exist under current law in the U.S. and many other jurisdictions.

302. Northwestern Mutual	USA	No	**Answer:** No **Comment:** The proposal for disclosure of the surrender value of insurance policies, on its own, is incomplete and potentially misleading, if not coupled with additional information that is relevant to understanding the actual liquidity characteristics of specific types of insurance products. See our response to Question 9 for more detail.
303. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** The NAIC agrees with the need for appropriate disclosures, quantitative and qualitative, for liquidity risk management and identification. However, supervisors should have flexibility to implement requirements in a manner appropriate for their jurisdictions. In the U.S., insurers consider many elements of their policies and practices with regard to risk management as proprietary information. While supervisors appropriately may have access to this information, competitors do not. Any new material on disclosure should be drafted with these two points in mind.
Q19 Taking into account the objective of the public disclosure requirement, should the disclosure of quantitative information receive a higher weight in the supervisory material compared to the qualitative? Please elaborate.			
304. Manulife Financial	Canada	No	**Answer:** No. Since quantitative information might not be comprehensive and disclose sufficient information for the supervisor to assess the unique characteristics of each company and its quality of risk management, risk mitigation strategy, (contingent) planning and funding sources, derivative event triggers, etc., qualitative information is equally important.
305. Insurance Europe	Europe	No	**Answer:** Paragraph 19 states that the disclosure of results to the group-wide supervisor and to insurers in the Insurer Pool is required; it also proposes that firms disclose a Public Report. The footnote to this adds that the IAIS is looking for disclosure of Phase II outcomes and Phase III analysis and outcomes; however, it also states that the IAIS will review this during 2019. It is therefore unclear what public disclosures are proposed to be made prior to 2020. Just as unclear is paragraph 93, which introduces a requirement for disclosing liquidity risk and cites IAIS' work on a liquidity metric, without providing any further detail. More generally, the IAIS puts forth a wide range of liquidity-oriented measures. While liquidity risk is not one of the main risks insurers face, Insurance Europe accepts that this type of risk can be relevant for certain activities and that supervisors may want to monitor these. In Europe, Solvency II already requires insurers to assess their liquidity risk; any additional monitoring should be based on data that is already available

			and metrics currently used within companies, to avoid additional cost and strain on implementation capacity.
306. Allianz	Germany	No	**Answer:** We do not see the additional benefit of quantitative liquidity disclosures to the public.
307. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Both disclosures should have equal footing. Pure quantitative disclosure could be misleading and should be accompanied by qualitative description or qualifications. Therefore, the IAIS should not give priority to quantitative disclosures.
308. Global Federation of Insurance Associations	Global	No	**Answer:** Paragraph 19 states that the disclosure of results to the group-wide supervisor and to insurers in the Insurer Pool is required; it also proposes that firms disclose a Public Report. The footnote to this adds that the IAIS is looking for disclosure of Phase II outcomes and Phase III analysis and outcomes; however, it also states that the IAIS will review this during 2019. It is therefore unclear what public disclosures are proposed to be made prior to 2020. Just as unclear is paragraph 93, which introduces a requirement for disclosing liquidity risk and cites IAIS' work on a liquidity metric, without providing any further detail.
309. International Actuarial Association	International	No	**Answer:** The IAA supports meaningful disclosure of an insurer's liquidity risk. The IAA believes this can be best achieved through a combination of both quantitative and qualitative disclosures. Undue focus on one without the other is unlikely to be meaningful to the reader of the financial statements.
310. General Insurance Association of Japan	Japan	No	**Answer:** See our comments on Question 18.
311. American Council of Life Insurers	Office of General Counsel	No	**Answer:** The disclosure of quantitative information should not receive higher weight compared to qualitative material.
312. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** No. This would not be consistent with other standards within ICP 20. Also, we believe that both quantitative and qualitative information are equally important.

313. Dirección General de Seguros y Fondos de Pensiones	Spain	No	**Answer:** It seems a little early to define the relative weight of each type of disclosure. First we should need to identify with more detail the type of circumstances we´re thinking about to be disclosed.
314. State Secretariat for International Finance	Switzerland	No	**Answer:** Yes. An informed decision about liquidity issues requires quantitative information. Qualitative information can enrich the qualitative part. Qualitative information alone would not be sufficient.
315. Swiss Re	Switzerland	No	**Answer:** We believe both quantitative and qualitative information is warranted, but we urge the IAIS not to introduce a prescriptive standard, since individual firm disclosure is unlikely to contribute to the management of systemic risk.
316. Aegon NV	The Netherlands	No	**Answer:** We do not support the disclosure of quantitative liquidity information. We believe that any disclosure should be qualitative, as misinterpreted quantitative liquidity information could undermine confidence, foster mass withdrawals, and exacerbate a crisis.
317. Association of British Insurers	United Kingdom	No	**Answer:** Clarity is lacking in Paragraph 93, which introduces a requirement for disclosing liquidity risk and cites IAIS work on a liquidity metric. However, there is no indication of what is being considered and how different it is from current disclosure through liquidity risk management programmes. While a focus on liquidity risk management is appropriate, the ABI considers this is best addressed as part of enterprise risk management. Therefore the ORSA, rather than public reporting, would be the appropriate tool of first resort for reporting and supervisory oversight.
318. National Association of Mutual Insurance Companies	United States	No	**Answer:** See GFIA response.
319. Prudential Financial, Inc.	United States of America	No	**Answer:** As noted in our response to question 18, we believe disclosures related to liquidity risk should contain equal emphasis on quantitative and qualitative information to avoid misinterpretation of results and potential unintended consequences. For example, absent supporting qualitative information, a quantitative disclosure could be misinterpreted and discourage market participants from providing funding during times of stress. In addition, we note that qualitative information can be equally important to quantitative data - e.g., explanations of alternative sources of liquidity available.

320. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** Non-regulator users of financial statements have limited ability to validate qualitative statements made in disclosures on a firm's liquidity risk management program. Thus, for purposes of public disclosure, having the quantitative information may be more useful, as they will allow a sophisticated user of the financial statement to form his/her own view about an individual insurer's liquidity risk.
Q20 Are the proposals in 3.3.1 on liquidity risk appropriate? Please elaborate.			
321. Manulife Financial	Canada	No	**Answer:** We support the use of a gap analysis to ensure that policy measures appropriately reflect existing local supervisory liquidity risk requirements.
322. Insuranc e Europe	Europe	No	**Answer:** Insurance Europe believes that the ORSA should be the first source of information used by supervisors to assess insurers' liquidity risk management; any additional guidance should be principles-based and focused on outcomes. If the ORSA is satisfactory, separate reporting to (or information requests from) supervisors should not be required, as the IAIS proposes in the consultation paper. Specifically: - Paragraph 77 (enhancements to ICP 24) sets out information that supervisors should collect and analyse in assessing liquidity risk; - Paragraph 90 (enhancements to ICP 16 and development of an Application Paper) is generally quite prescriptive and includes a "report to the supervisor"; - Paragraph 94 (enhancements to ICP 20) requires public disclosures; and - Paragraph 105 (enhancements to ICPs 15 and 16) requires a breakdown of counterparty exposures, where total exposure would appear more appropriate.
323. Global F ederation of I nsurance Ass ociations	Global	No	**Answer:** GFIA takes the view that the ORSA should be the first source of information used by supervisors to assess insurers' liquidity risk management; any additional guidance should be principles-based and focused on outcomes. If the ORSA is satisfactory, separate reporting to (or information requests from) supervisors should not be required, as the IAIS proposes in the consultation paper. Specifically concerning: - Paragraph 77 (enhancements to ICP 24) sets out information that supervisors should collect and analyse in assessing liquidity risk; - Paragraph 90 (enhancements to ICP 16 and development of an Application Paper) is generally quite prescriptive and

			includes a "report to the supervisor"; - Paragraph 94 (enhancements to ICP 20) requires public disclosures; and - Paragraph 105 (enhancements to ICPs 15 and 16) requires a breakdown of counterparty exposures, where total exposure would appear more appropriate. GFIA would also point out that an expanded ORSA would diminish its usefulness, to the extent it trends away from the "own" risk of a specific company to a vehicle for assisting supervisors in identifying and mitigating systemic risk within the insurance sector.
324. Institute of International Finance	Global	No	**Answer:** Paragraphs 77, 90, 94 and 105 propose the collection from insurers and analysis by supervisors of granular data on liquidity risk, macroeconomic exposures, and counterparty risk. As a general matter, the insurer's own risk and solvency assessment (ORSA) should be the source of information on an insurer's risk management and further information should be required only on an exception basis. The collection by supervisors of significant amounts of additional granular data would impose substantial burden on both insurers and supervisors. We encourage the IAIS to refrain from imposing a Standard that supervisors require insurers to develop separate liquidity plans. In many jurisdictions, liquidity planning is part of the ORSA and ERM framework and a requirement for separate liquidity plans would be duplicative and burdensome. As noted in Paragraph 85, the management of liquidity risk is integral to ERM. It would be more appropriate to limit the dissemination of more granular information and metrics on liquidity risk to supervisors. With respect to disclosures to supervisors (i.e. regulatory reporting), the insurer's ORSA should be the primary source of information and supplemental reporting of capital, solvency measures and liquidity generally should not be necessary or required. For example, the reporting contemplated by Paragraphs 77 and 94 should be covered by the ORSA, where those risks and exposures are material to the insurer. Paragraphs 93 and 94 propose the addition of a Standard to ICP 20 that the supervisor requires quantitative and qualitative liquidity risk disclosures, in order to give more prominence to liquidity risk in disclosure requirements. Further requirements for liquidity risk disclosures to the market may not be particularly helpful and could lead to confusion, as market participants generally have a limited understanding of liquidity risk measures and metrics. Moreover, the IAIS should acknowledge and reflect the fact that market regulators generally impose disclosure requirements related to liquidity risk (and other key risks). Any liquidity risk disclosure standards should also consider differences among business models, national and regional markets, and focus on the unmet needs, if any, of investors and the general

			public for information. Supervisors should not impose contradictory or duplicative requirements. Comments Related to Annex 2 Annex 2 to the Holistic Framework elaborates the elements that may be included in a forthcoming Application Paper on liquidity risk management and planning. We caution against adopting the conceptual approaches used in current banking supervisory frameworks. In developing guidance on liquidity risk management and planning, we encourage the IAIS to focus on the indicators on liquidity risk that are most meaningful in light of the business model and the activities of the insurance sector. In adopting liquidity risk management tools, the IAIS should avoid rigid, one-size-fits-all measures that do not reflect the risk profile of an insurer, or simplistic asset-bucketing approaches that ignore the more impartial but risk-based insurance supervisory regimes in place in many jurisdictions, and that could have negative impacts on macroprudential objectives and financial stability.
325. International Actuarial Association	International	No	**Answer:** See our response to Question 18.
326. General Insurance Association of Japan	Japan	No	**Answer:** See our comments on Question 16 to 19. We request that insurers whose exposures have low potential of leading to a systemic impact be given consideration to avoid imposing an excessive burden on them.
327. The Life Insurance Association of Japan	Japan	No	**Answer:** It is inappropriate as following the previous answers in Q16 and Q18.
328. American Council of Life Insurers	Office of General Counsel	No	**Answer:** As is elsewhere noted, there is too much prescribed detail to be useful. A principles-based approach to liquidity disclosure and management would be far more appropriate and useful.
329. Swiss Re	Switzerland	No	**Answer:** See our responses to Q17, Q18 and Q19.
330. Aegon NV	The Netherlands	No	**Answer:** Yes, the proposals are generally appropriate. We welcome and appreciate the inclusion of Annex 2 (referenced as "Annex 3" in paragraph 89) so as provide the industry a preliminary indication of what might be expected within a liquidity plan. We wish to make the following observations about Annex 2:

			1. Liquidity stress testing guidance should be sufficiently principle-based so as to allow more holistic approaches than the relatively prescriptive and narrow approach described in Annex 2. For example, it should be permissible to consider internal liquidity sources such as suspension of dividends and external liquidity sources like committed rate-linked facilities (CRLF) and (U.S.) Federal Home Loan Bank (FHLB) borrowings. ((Note the FHLB is a U.S. government sponsored enterprise (GSE) that supplied significant credit and liquidity to the financial system during the 2008 financial crisis.) This would also be consistent with the approach used in the Basel III Liquidity Coverage Ratio. 2. While we support the "liquid asset buffer" concept, we believe that it is overly prescriptive to indicate a specific and relatively limited composition of assets for the buffer, particularly in the context of an application paper. 3. We believe that industry best practice includes reverse stress testing, which is not noted in the document. Reverse stress testing can help highlight previously unacknowledged vulnerabilities. 4. The description of the liquid asset buffer indicates that the insurer should "disclose" the ratio of the liquid asset buffer to net stressed cash flows. We believe that the intent is for "disclosure" in the context of the liquidity plan that is provided confidentially to the supervisor. If so, this should be clarified in the application paper. We would strongly oppose public disclosure of this information.
331. Association of British Insurers	United Kingdom	No	**Answer:** Please refer to our answers to Questions 16-19 above.
332. National Association of Mutual Insurance Companies	United States	No	**Answer:** No. See GFIA response.
333. Prudential Financial, Inc.	United States of America	No	**Answer:** Please refer to our responses to questions 16, 17, 18, and 19.
334. American Property Casualty Insuran	USA	No	**Answer:** It is difficult to fully answer this question in the abstract and without additional details, but we remain concerned that the IAIS's requirements for supervision are continually adding to the compliance burdens of insurers without sufficient evidence that the measures imposed are effective or necessary. We see no differentiation in the proposal as to

ce Association (APCIA)			how it would differ by sector, i.e., life v. non-life, nor do we see how the proposal would benefit from the cross-sectoral comparison described in paragraph 26. We believe those to be important considerations in implementing the proposal in that, among other things, they would assure that the drafting of any additional ICP /ComFrame material on liquidity risk would be mindful of the fact that such risk is significantly less for insurers as compared to banks, and especially so for non-life insurers. Please see also our response to questions 11 and 13.
335. CNA	USA	No	**Answer:** See response to question 16.
336. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** Yes, enhancements to liquidity management and monitoring are appropriate for addressing macroprudential concerns. These enhancements will also have benefits for microprudential monitoring purposes.
Q21 Do you agree with the above proposal to amend the Standards and Guidance on macroeconomic exposure and ERM? Please elaborate.			
337. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** BaFin supports the proposed way forward. As elaborated earlier, ICS can play an important role. Internal Models can also help to reflect risks better in risk sensitive frameworks and should therefore be considered part of this framework as well as the ICS. With regard to the second bullet and insurance products with guarantees it should be noted, that also options should be clearly considered, even though that may have also relevance for liquidity risk. As noted above, a guarantee itself is unlikely to be source of systemic risk, policyholder option increase risk significantly.
338. International Actuarial Association	International	No	**Answer:** Yes **Comment:** Yes, the IAA strongly supports the proposal. However, we suggest that the words in the third bullet “as necessary” may be misinterpreted. The placement of the words may allow some non-IAIG’s to say that stress testing is not needed. The IAA strongly supports the use of stress and scenario testing in many aspects of an insurer’s operations but especially within its ERM function. We therefore support elevation of stress testing from guidance to a standard. The IAA believes that this standard should apply to all insurers but that its application requires the concept of proportionality. Even a small insurer with a solvency risk exposure should feel compelled to perform some form of stress testing as part of prudent ERM. Similarly, some large insurers may not have material embedded guarantees in their products and may need different or perhaps reduced stress testing (i.e., proportional) testing in comparison with another insurer having such guarantees.

			It needs to be made clear that stress testing as referred to here also includes scenario testing as, as is made clear in various IAA papers (see references below), some may consider stress testing as "simply" referring to uni-variate stresses. The forward-looking aspect of the ORSA, tied to the business strategy, is also important. For IAIS reference, the IAA published a number of relevant papers, including Stress Testing and Scenario Analysis (2013), Deriving Value from ORSA – Board Perspective (2015) and Actuarial Aspects of ERM for Insurance Companies (2016). A new IAA paper entitled Stress Testing is expected to be available in early 2019.
339. General Insurance As sociation of J apan	Japan	No	**Answer:** No **Comment:** We do not agree with the proposal unless the following conditions can be met: - To develop concrete assessment criteria because the proposal refers to elements that are difficult to assess such as correlated exposures between macroeconomic conditions and the insurance portfolio. - When assessing effects of macroeconomic shocks, taking special care to avoid an excessive increase in workload compared to the current level. As such, in order to avoid imposing an unnecessary burden on each insurer, data collection requests, for instance, should only be made following careful consideration of usefulness to achieve objectives.
340. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** No **Comment:** ACLI does not believe that an expanded ORSA (paragraph 100) is directionally correct. The usefulness of ORSA would be diluted to the extent it trends away from the “own” risk of a specific company to a vehicle for assisting supervisors in identifying and mitigating systemic risk within the insurance sector.
341. Swiss R e	Switzerland	No	**Answer:** Yes **Comment:** We generally agree with the proposal. With regards to “macroeconomic exposures” as mentioned in the second bullet point, see our response to Q9. In particular, we believe it is correct to propose that the IAIS assesses the vulnerability stemming from specific insurance activities and products, rather than broad macroeconomic exposures. See our next response for further details.
342. National Association of	United States	No	**Answer:** No

Mutual Insurance Companies			**Comment:** While NAMIC agrees that ORSA can be a useful tool in the surveillance process, we disagree with proposed changes to ORSA that would add “requirements” to an assessment process specifically designed to be owned by the insurer. In addition, at the stakeholder event the working group reported that policy measures would be decided upon by the jurisdictional supervisor and not the IAIS. Importantly it was also reported by the working group that the intention was that supervisors did not need to create completely new policy measures to address systemic risk but that they only needed to consider the regulatory gaps. NAMIC suggests that this intent be clearly reflected in the CD and in any related ICPs proposed. Finally, Until there is a meaningful, absolute assessment of systemic risk in the insurance sector meeting the criteria of the systemic risk definition that such risk will affect all or part of the financial system with serious negative consequences for the real economy, making any changes to ERM or other reporting mechanism is not justified.
343. RAA	United States and many other jurisdicitons	No	**Answer:** No **Comment:** We have concerns about the prescriptiveness of the proposed Standards and Guidance regarding ERM and ORSA reporting. This should be principles-based and not prescriptive, since the ORSA is intended (and should remain) the insurer’s own assessment of its risks.
344. Prudential Financial, Inc.	United States of America	No	**Answer:** No **Comment:** As noted in our response to question 1, we continue to believe the macroeconomic exposure category is overly broad and redundant to the “liquidity exposure”. Please refer to our response to questions 1 and 3 for additional information. Further, we reiterate our view that the ICS remains an unproven work in progress and its consideration as a tool for assessing and mitigating systemic risk before the conclusion of the 2020 to 2024 monitoring period is premature. References to it throughout the Holistic Framework should be struck. Finally, we disagree with the identification of “insurance products with embedded guarantees” as an example in paragraph 100. In the future consultation any examples provided should be accompanied with corroborating support and rationale for their inclusion.
345. American Property Ca	USA	No	**Answer:** No

sualty Insurance Association (APCIA)			**Comment:** We agree with the proportional application of supervisory measures suggested by the holistic framework. This is especially important inasmuch as transitioning from an EBA to the holistic framework which is also activities-based, such measures could be applied to many insurers, not just a limited number of G-SIIs or IAIGs. The guidance that will be developed on the factors that should be considered when deciding if a requirement should be applied to groups is will therefore be very important, and we would appreciate the opportunity to consult with the IAIS on that when drafted. Our concern is that implementing many of the recommendations of the holistic framework through ICP text will result in unintended application of certain supervisory measures to a broader population of smaller insurers that do not pose systemic risk individually or as significantly impact sectoral risks. Proportional application is thus key, but we again refer to our general comment on proportionality in our response to question # 6 herein for your convenience. We are also concerned that ORSAs not become prescriptive supervisory requirements, rather that the remain the insurer's "own" risk and solvency assessment. With respect to stress testing, please also see our response to question #11.
346. CNA	USA	No	**Answer:** No **Comment:** Requiring IAIGs to consider certain scenarios or risks in a group's ORSA seems overly prescriptive and not in the intended spirit of a firms Own Risk Solvency Assessment. Based on the proportionality concept discretion should be left to the firm's CRO to identify material risk to the group and consider those risks and scenarios they feel are more relevant to the group.
347. Liberty Mutual Insurance Group	USA	No	**Answer:** No **Comment:** Stress testing is an important part of a strong enterprise risk management program, particularly for relatively larger insurers, but we disagree with this proposal because it would require all insurers to carry out stress testing, which is not compatible with the principle of proportionality. Whether an insurer should be required to conduct stress testing is a decision that should be left to the insurer's supervisor and not required by the IAIS.
348. Northwestern Mutual	USA	No	**Answer:** No **Comment:** Not completely. We have two concerns. First, as outlined in our response to Question 1, we believe that the IAIS should focus its macroprudential efforts on areas where there is an understood linkage between a sudden financial market-driven triggering event and the propagation or amplification of risk back into the financial markets. The references to macroeconomic exposure do not, without more, meet this test. Second, we caution against adding

			prescriptive requirements to the ORSA which may detract from its utility as a management tool geared to the nature, scale, and complexity of the firm.
349. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** While the NAIC agrees with the concept, the actual language used to describe the new requirement and its level of prescriptiveness will be important for any definitive answer to this question. The ORSA – Own Risk and Solvency Assessment – is meant to be the insurer's document, so the supervisor should avoid being overly prescriptive in directing the insurer how to assess its own risks and solvency.
Q22 Are the proposals in 3.3.2 on macroeconomic exposure appropriate? Please elaborate.			
350. Insuranc e Europe	Europe	No	**Answer:** Paragraph 96 notes that, as a standardised metric, the ICS could be useful in assessing macroeconomic exposure by providing comparable information to supervisors. However, it is unclear how the IAIS is proposing to use an ICS that is still under development to measure macroeconomic exposures, or in which ways it will aid in analysing the impact of macroeconomic shocks on the total balance sheet. The IAIS has previously committed to not applying the ICS as a PCR during the monitoring period, and companies will not be managing to it. During the monitoring period, the ICS will continue to be calculated on an approximate, unaudited basis. Therefore, the ICS is unlikely to produce meaningful and actionable information during this time. Another concern with using the ICS is the blurring between micro- and macroprudential regulation. The ICS is a micro-metric, and so the IAIS needs to articulate how this will help identify emerging macro-risks. Similarly, paragraph 47 discusses the risk of under-reserving (also mentioned in EIOPA's 2018 paper on additional macroprudential tools), but this risk is already covered by existing microprudential regulation.
351. Global F ederation of I nsurance Ass ociations	Global	No	**Answer:** Paragraph 96 notes that, as a standardised metric, the ICS could be useful in assessing macroeconomic exposure by providing comparable information to supervisors. However, it is unclear how the IAIS is proposing to use an ICS that is still under development to measure macroeconomic exposures, or in which ways it will aid in analysing the impact of macroeconomic shocks on the total balance sheet. The IAIS has previously committed to not applying the ICS as a PCR during the monitoring period, and companies will not be managing to it. During the monitoring period, the ICS will continue to be calculated on an approximate, unaudited basis. Therefore, the ICS is unlikely to produce meaningful and actionable information during this time. Another concern with using the ICS is the blurring between micro- and macroprudential regulation. The ICS is a micro-metric, and so the IAIS needs to articulate how this will help identify

			emerging macro-risks. Given its preliminary nature, the IAIS should remove all references to the ICS from the Holistic Framework.
352. International Actuarial Association	International	No	**Answer:** Yes.
353. General Insurance Association of Japan	Japan	No	**Answer:** In implementing, given the fact there is a possibility that some risk exposures of insurance groups are little affected by macroeconomic exposure, it needs to be cautiously noted to avoid the proposed system being operated in a manner that imposes an excessive burden according to the proportionality principle. For instance, requiring insurers to provide of unnecessary data to assess should be avoided.
354. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Once again, ACLI strenuously objects to the inclusion of the ICS (paragraph 96) as appropriate for inclusion within this Consultation. The ICS is incomplete and is not fit-for-purpose in its current form, with significant further work needed before it could be considered "final". Given its preliminary nature, the ACLI calls on the IAIS to remove all references to the ICS from the Holistic Framework.
355. Swiss Re	Switzerland	No	**Answer:** We generally agree with the proposal, though we urge the IAIS to avoid making the ORSA a more prescriptive exercise. The ORSA should remain a reflection of the insurers of their own risk and solvency assessment. Conceptually, we believe that the ICS could serve as a single basis for comparison of exposures within the insurance sector. However, until the ICS is implemented as an international prudential capital requirement, it should be made clear that the ICS is being used in the systemic risk context at most for monitoring purposes.
356. Aegon NV	The Netherlands	No	**Answer:** We acknowledge that the IAIS appears to propose to use the ICS as a measurement of macroeconomic exposure, not as a binding standard. However, the long-term viability of the ICS as a potential global risk metric is problematic. The 2017 Kuala Lumpur agreement indicates that none of the relevant authorities in the United States intend to adopt the ICS as developed by the IAIS, effectively confirming that a truly global insurance capital standard is not politically achievable at this time.
357. Association of British Insurers	United Kingdom	No	**Answer:** Paragraph 96 notes that as a standardised metric the ICS could provide useful input for assessing macroeconomic exposure by providing comparable information to supervisors. However, it remains unclear how the IAIS is proposing to use a still developing ICS for measuring macroeconomic exposures, or in which ways it will aid in analysing the impact of macroeconomic shocks on the total balance sheet. Another concern with using ICS is the blurring between micro- and macro-regulation. The ICS is a micro-metric, and so the IAIS needs to articulate how this will help identify emerging macro-risks.

			The blurring of micro- and macro-regulation is also evident in Paragraph 47, where the risk of under-reserving (mentioned in one of EIOPA's 2018 papers on systemic risk) is discussed. Under-reserving is covered by existing micro-regulation, and there is a risk of unnecessary duplication if it is also a focus within the holistic framework for systemic risk.
358. National Association of Mutual Insurance Companies	United States	No	**Answer:** No. See answers to questions 14-21.
359. Prudential Financial, Inc.	United States of America	No	**Answer:** Please refer to our response to question 21.
360. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** It is difficult to fully answer this question in the abstract and without additional details, but we remain concerned that the IAIS's requirements for supervision are continually adding to the compliance burdens of insurers without sufficient evidence that the measures imposed are effective or necessary. Please see our response to question #21.
361. CNA	USA	No	**Answer:** Please review to CNA's general comments in response to question 1 regarding expansion of systemic risk assessment.
362. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** Please see our answer to question 21.
Q23 Do you agree with the above proposal to amend the Standards and Guidance on counterparty exposure? Please elaborate.			
363. Insurance Europe	Europe	No	**Answer:** No **Comment:** The details set out in the second bullet point of Paragraph 105 regarding proposed enhancements to ICPs 15 and 16 are too prescriptive. The enhancements should be more principles-based and proportionate and focus on total counterparty exposure. In particular, the requirement under the final

			bullet point requiring insurers “to also encompass all reasonably foreseeable and relevant material counterparty exposures” is excessively prescriptive.
364. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** The explicit amendments of the guidance material for ICP 15 provide a good basis to raise awareness and should not pose any difficulties to insurers. Moreover, the proposed differentiation between IAIGs and other insurers for other amendments seem reasonable as a first step. Based on experience, it could be considered to require more detailed policies for insurers in general since all insurers should consider concentration and counterparty exposure more general in their investments policy but also in underwriting.
365. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** The details set out in the second bullet point of Paragraph 105 regarding proposed enhancements to ICPs 15 and 16 are too prescriptive. The enhancements should be more principles-based and proportionate and focus on total counterparty exposure. In particular, the requirement under the final bullet point requiring insurers “to also encompass all reasonably foreseeable and relevant material counterparty exposures” is excessively prescriptive. GFIA is concerned with the discussion of bank-related regulations, as this could invite the inference that insurance supervisors should emulate regulatory activities that are inappropriate for the insurance sector. The same can be said for the derivatives discussion. Here it should be noted that tremendous work has gone into examining the use of derivatives in the insurance sector, and as the Consultation concedes that considerable attention has already been to this subject in IAIS materials.
366. International Actuarial Association	International	No	**Answer:** No **Comment:** No. While the IAA supports the proposal as stated, there are important elements which are missing. As stated in our response to Q9, “The list does not include various types of service providers who have the potential to represent substantive counterparty risk…The proposed guidance also fails to mention the interconnectedness risk from counterparties due to misaligned incentives.”
367. General Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** Although "define a counterparty credit risk appetite" is stated in paragraph 105, the word "appetite" is not appropriate and should be replaced with "risk tolerance”. Also, “counterparty risk” is not taken in a positive light by insurers to expect a return.

			It is stated "assess aggregate credit exposures to its largest counterparties" in the same paragraph. In the case of reinsurers, for instance, who are one of the biggest counterparties, due to the fact that the markets are to all intents and purposes monopolized by a small number of companies, and because of the relatively high possibility of leading to systemic risk, assessing and grasping exposures related to them could be meaningful. However, it is practically difficult to resolve the aggregation of exposures to insurers´ largest counterparties because switching reinsurers is not easy for the same reasons. If the IAIS amend the Standard on the ORSA to require insurers to perform scenario analysis on these exposures in stress events, as per this proposal, the proportionality principle should be applied. Any increase in burden compared to the current level should be avoided.
368. The Life Insurance As sociation of J apan	Japan	No	**Answer:** No **Comment:** Regarding counterparty risk and asset concentration risk, the market environment differs greatly with jurisdictions (especially between developed countries and emerging countries). There are already existing regulations that work sufficiently. Each risk management done in each jurisdiction should be respected, and if individual risk managements were done properly in each jurisdiction, we think the risk management as a group would be also done sufficiently. Therefore, it is unnecessary to set the group-wide standard uniformly.
369. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** No **Comment:** ACLI does not believe the proposed amendments relating to counterparty exposure are necessary. Once again, we are concerned with the discussion of bank-related regulations as this could invite the inference that insurance supervisors should emulate regulatory activities that are inappropriate for the insurance sector. The same can be said for the derivatives discussion. Here it should be noted that tremendous work has gone into examining the use of derivatives in the insurance sector, and as the Consultation concedes that considerable attention has already been to this subject in IAIS materials.
370. Monetar y Authority of Singapore (M AS)	Singapore	No	**Answer:** Yes **Comment:** We agree with the proposed enhancements to the Standards and Guidance on counterparty exposure. On the proposed additional Standard to require IAIGs and other insurers to “assess aggregate credit exposures to its largest counterparties”, we suggest to replace “assess” with “monitor” for greater clarity.

371. Swiss R e	Switzerland	No	**Answer:** Yes **Comment:** We generally agree with the proposal. The text does not elaborate on the proposed ORSA amendment, but we find the language of the proposal (third bullet in para./box 105) to attempt to be overly encompassing ("all foreseeable"). There are limits to what firms can achieve in scenario analysis. For instance, the IAIS cannot expect insurers to calculate or make assumptions about how individual counterparties would perform under every scenario.
372. Associati on of British I nsurers	United Kingdom	No	**Answer:** No **Comment:** The details set out in the second bullet point of Paragraph 105 regarding proposed enhancements to ICPs 15 and 16 are too prescriptive. The enhancements should be more principles-based and proportionate, and focus on total counterparty exposure. In particular, the requirement under the final bullet point requiring insurers "to also encompass all reasonably foreseeable and relevant material counterparty exposures" is excessively prescriptive.
373. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** No **Comment:** More work is needed on the counterparty exposure portion of this consultation. And importantly, until there is a meaningful, absolute assessment of systemic risk in the insurance sector meeting the criteria of the systemic risk definition that such risk will affect all or part of the financial system with serious negative consequences for the real economy, making any changes to ERM or other reporting mechanism is not justified.
374. RAA	United States and many other jurisdicitons	No	**Answer:** No **Comment:** We do not agree that the proposed amendments relating to counterparty exposure are necessary and are concerned with the discussion of bank-related regulations, as this presumes that insurance supervisors should emulate banking regulatory activities that are inappropriate for the insurance sector. We remain concerned that the Standards and Guidance are too prescriptive for the ORSA. As noted above, counterparty exposure is highly unlikely to be systemic for P&C underwriting risk.
375. Prudenti al Financial, I nc.	United States of America	No	**Answer:** Yes **Comment:** We have no objection to amending the Standards and Guidance, provided sufficient opportunity for public comment is provided.
376. America n Property Ca	USA	No	**Answer:** No

sualty Insurance Association (APCIA)			**Comment:** We would appreciate additional examples from the IAIS where counterparty risk has materialized and created system risk. The most often-cited example of perceived counterparty risk is in the reinsurance sector. A report released by the OECD in December 2018 entitled "The Contribution of Reinsurance Markets to Managing Catastrophe Risk" points out that "According to some reports, 29 reinsurers failed between 1980 and early 2011 globally. These were mostly smaller reinsurance companies that together accounted for approximately USD 1.8 billion or 0.43% of the premiums ceded in that 31-year period. Potentially reflecting the limited number of reinsurer failures, an assessment of actual non-life insurer impairments in the United States between 1969 and 2014 found that a reinsurance failure was the primary driver for only 3.0% of all non-life insurance company impairments and for only one impairment since 2000". We would also note that many jurisdictions (including the U.S.) impose significant limitations on the credit quality of reinsurance for which ceding companies may take credit in their financial statements. If the IAIS believes that counterparty exposure is a significant source of systemic risk for non-life insurers we suggest that the IAIS provide evidence to that effect. Additionally, please see our response to question #21.
377. CNA	USA	No	**Answer:** No **Comment:** See CNA's response to question 21.
378. Northwestern Mutual	USA	No	**Answer:** No **Comment:** The proposal may be reasonable as a microprudential measure, if tailored to the nature, scale, and complexity of the firm and its risks (e.g., if the firm limits counterparty exposures so as not to present material risk, stressed scenario analysis may not add value). Whether it is necessary from a systemic risk perspective will be unclear unless authorities establish that counterparty exposures have grown beyond historic norms so as to present a systemic threat.
379. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** While the NAIC agrees with the concept, again, the actual language used will be important to our ultimate support of such amendments. See also our response to Question 21 on the need to avoid being overly prescriptive with the ORSA.
Q24 Are the proposals in 3.3.3 on counterparty exposure appropriate? Please elaborate.			

380. Global Federation of Insurance Associations	Global	No	**Answer:** GFIA does not agree that investment policies need to be expanded; scenarios analysis is unwarranted as a new ORSA requirement.
381. International Actuarial Association	International	No	**Answer:** Yes, recognizing our comment to Q23.
382. American Council of Life Insurers	Office of General Counsel	No	**Answer:** ACLI does not believe the proposals are appropriate. We do not believe that investment policies need to be expanded, and scenario analysis is unwarranted, certainly not as a new ORSA requirement.
383. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** To the extent that G-SII(s) is(are) identified, following the finalisation of the holistic framework to assess systemic risk in the insurance sector, IAIS could explore if some of the BCBS measures, as applied to G-SIBs, might be appropriate for implementation on G-SIIs as well. These could include caps on single counterparty or group of related counterparties or reporting standards for international insurers to their supervision on their counterparty exposures exceeding certain stipulated thresholds
384. Swiss Re	Switzerland	No	**Answer:** Note: We assume that the reference to section 3.2.3 is actually a reference to section 3.3.3. We generally agree with the proposals, subject to our comments to Q23. Company-specific comment: Swiss Re has carried out such analysis to determine the primary insurance industry´s exposure to Swiss Re, and has determined that such analysis is extremely helpful in gaining transparency about potential systemically risky exposures of primary insurers towards reinsurers. We found that there are no systemically risky geographic or institutional concentrations within the primary insurance industry towards Swiss Re. We would be happy to support IAIS in developing a process for carrying out such an analysis.
385. Aegon NV	The Netherlands	No	**Answer:** We believe that stress testing has some relevance for capital and liquidity but is much less meaningful for counterparty exposure. While we support counterparty reporting requirements and internal exposure limits, counterparty stress testing, as stress testing is commonly understood, is uncommon, and we suspect that it may provide little value.
386. National Association of Mutual Insura	United States	No	**Answer:** More work is needed on the counterparty exposure portion of this consultation. And importantly, until there is a meaningful, absolute assessment of systemic risk in the insurance sector meeting the criteria of the systemic risk

nce Companies			definition that such risk will affect all or part of the financial system with serious negative consequences for the real economy, making any changes to ERM or other reporting mechanism is not justified.
387. Prudential Financial, Inc.	United States of America	No	**Answer:** The proposals are reasonable and appropriate as high-level policy statements. However, more detailed guidance would be needed to achieve consistency in the measurement of counterparty exposure arising from derivatives, reinsurance and securities financing transactions. Sufficient opportunity for public comment will be necessary to ensure the more detailed guidance is appropriate.
388. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** Please see our response to question #23.
389. CNA	USA	No	**Answer:** See CNA's response to question 21.
390. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** Assuming the reference to 3.2.3 should be to 3.3.3, as to adding a standard: the NAIC agrees with the concept, particularly for IAIGs; as to the reference to "other insurers as necessary" please see previous comments on Question 6. As to adding appropriate guidance: the NAIC agrees with the concept, but care should be taken with the level of prescriptiveness even in guidance.
Q25 What are the expected costs and benefits of the proposals on on-going supervisory policy measures as discussed in section 3.3?			
391. Global Federation of Insurance Associations	Global	No	**Answer:** GFIA sees little if any benefit to the proposed expansions and requirements. The costs could well be significant, particularly the required scenario testing. Even when policy measures are appropriately developed, a cost-benefit analysis should be made. For example, since the management systems of insurance contracts/asset management differ in each jurisdiction, is it is conceivable that the code system for aggregating exposures is not unified. In this case, introducing policy measures at global level would generate considerable costs.
392. International Actuarial Association	International	No	**Answer:** The IAA believes that the additional costs from these on-going supervisory measures, for supervisors and insurers, are not likely to be significant if applied in a proportionate manner. The benefits resulting from these measures, for susceptible insurers, are likely to noticeably enhance policyholder protection and reduce supervisory attention that might have been required.

393. General Insurance Association of Japan	Japan	No	**Answer:** Whilst we need more detailed information to assess the expected costs and benefits, because the proposal only provides a basic stance, excessive costs should be avoided.
394. The Life Insurance Association of Japan	Japan	No	**Answer:** With regard to implementing policy measures, the LIAJ believes that it should be appropriately implemented as needed for the purpose. It is important to note, where policy measures are unnecessarily implemented, insurers might have opportunity loss and huge additional costs. Even when policy measures are appropriately developed for the purpose; there is a possibility that policy measures incur additional cost. Therefore cost-benefit analysis should be sufficiently made. For example, since the management systems of insurance contracts/asset management differ in each jurisdiction, it is conceivable that the code system for aggregating exposures is not unified in each company across the jurisdiction. In this case, introducing policy measures as a group-wide level requires huge costs and personnel.
395. American Council of Life Insurers	Office of General Counsel	No	**Answer:** While ACLI does not have any specific data responsive to this question, we see little if any benefit to the proposed expansions and requirements. The costs could well be significant, particularly the required scenario testing.
396. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** The proposals could raise reporting burdens over the short term. However, we do not foresee any sustained, unintended cost relating to the proposals. The counterparty credit risk appetite, including exposures on geographical asset concentrations, should already be part of the insurer's risk appetite framework. Accordingly, we agree with the proposal for a standard on the ORSA to require insurers to also encompass foreseeable and relevant material counterparty exposures and perform related scenario analyses under stress events.
397. Swiss Re	Switzerland	No	**Answer:** We believe the benefits of a comprehensive analysis of asset concentration outweigh the costs: Such analyses are relatively straightforward to carry out and they create transparency about sources of systemic risk (or lack thereof).
398. National Association of Mutual Insurance Companies	United States	No	**Answer:** See GFIA response.

399. RAA	United States and many other jurisdicitons	No	**Answer:** The RAA does not support the expanded policy measures. The costs will likely be significant, particularly the required scenario testing. Even when policy measures are appropriately developed, a cost-benefit analysis should be performed.
400. Prudential Financial, Inc.	United States of America	No	**Answer:** In the absence of detailed guidance on the requirements, it is not possible to comment on the potential costs and benefits.
401. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** Considering that counterparty risk is cited by some supervisors as the reason that they restrict cross-border reinsurance,the framework and appropriate guidance therein could dispel those concerns, suggest measures that would reduce such barriers, enable cross-border trade can improve competition, while minimizing systemic risk. A potential additional cost however, as yet inestimable, is the possible extension of measures to insurers for which they are not intended due to an inappropriate application of proportionality. That will result in cost impact both to the firms to which such measures are applied, and the respective supervisor as well.
402. CNA	USA	No	**Answer:** See CNA's general comments in in response to question 1 regarding a need for a detailed cost benefit analysis.
Q26 Do you agree with the proposals on supervisory coordination, including CMGs? Please elaborate.			
403. Allianz	Germany	No	**Answer:** Yes **Comment:** Supervisory coordination and CMGs are helpful for insurance groups. It needs to be noted however, that in case a CMG exists for an insurance group, solo recovery plans should not be requested. A CMG should always be coordinated by a Group supervisor being the national supervisory authority.
404. International Actuarial Association	International	No	**Answer:** Yes
405. General Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** As it can be a key element for supervision of IAIGs, we recommend that supervisory coordination becomes firmly mandatory.

406. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** ACLI does not object to the proposals pertaining to supervisory coordination.
407. Swiss R e	Switzerland	No	**Answer:** Yes **Comment:** We generally agree with the proposals: Supervisory coordination is essential in good times and it is paramount in times of crises. As per past consultations, for instance on ICP25, we would urge the IAIS to use more directive language when addressing supervisory cooperation and coordination.
408. Prudenti al Financial, I nc.	United States of America	No	**Answer:** Yes **Comment:** We agree that supervisory coordination, including CMGs, are important elements of a Holistic Framework. In addition to CMGs, we believe it would be appropriate to acknowledge the importance of communication and coordination through supervisory colleges. That said, we disagree with the current framing of these elements in the consultation which we interpret as being limited to the context of the disorderly failure of an individual insurer. Rather than being viewed solely as reactionary tools, they should be enlisted as vehicles to proactively assess an insurers potential exposure to risks or propensity to transmit risk to the financial system. Results of such discussion and assessments would be far more meaningful inputs for an IAIS level discussion on the potential risk an insurer poses to the global financial system than the limited and inaccurate information the IAIS will distill from continuation of the blunt individual insurer data collection exercise.
409. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** Yes **Comment:** Please see our response to question 29.
Q27 Do you agree with the proposals on recovery planning? Please elaborate.			
410. Allianz	Germany	No	**Answer:** Yes **Comment:** We welcome the proposal on recovery planning as it is a useful tool that each insurer should be required to perform in addition to an ERM. It is a helpful complement to an ERM system as it brings an additional perspective (gone concern).

411. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** As paragraph 114 states, the proposals on recovery planning should be closely correlated to an insurer's risk profile, nature or complexity of business, or more broadly its systemic importance. It should not be required that all insurers develop a recovery plan.
412. International Actuarial Association	International	No	**Answer:** Yes **Comment:** The IAA has comments on recovery planning which are included in its response to the separate Recovery Planning Consultation.
413. General Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** Although the Draft Application Paper on Recovery Planning states that "Recovery plans differ from an ORSA both in perspective and objective", the ORSA could include recovery planning by broadening its objectives. Whilst recovery planning should apply the principle of proportionality, items such as the level of the ICS ratio and the results of the ORSA of the insurer should be taken into account when determining requirements. To ensure they are exempt from an excessive burden, insurers with sounder financial footprints should be allowed to establish more simplified plans than those with a lesser sound footprint. For example, it is reasonable to require setting only a high-level framework when an insurer is in a financially sound condition, and to consider establishing a detailed plan only when the insurer's financial soundness could be undermined.
414. The Life Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** As paragraph 114 states, the proposals on recovery planning should be closely correlated to an insurer's risk profile, nature or complexity of business, or more broadly its systemic importance. It should not be required that all insurers develop a recovery plan that is equivalent to the G-SIIs.
415. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** ACLI generally agrees with the proposals relating to recovery planning.
416. Monetary Authority of	Singapore	No	**Answer:** No **Comment:** We note that the proposal requires all IAIGs to develop a recovery plan. However, the FSB Key Attributes of

Singapore (MAS)			Effective Resolution Regimes for Financial Institutions ("FSB KAs") only requires G-SIFIs to develop recovery and resolution plans. It is unclear why the IAIS is requiring a wider scope of insurers to develop recovery plans compared to the FSB KAs. We propose to require IAIGs to develop a recovery plan only if deemed necessary by the group-wide supervisor (similar to that under CF 12.3.a for resolution plans). A similar and more proportionate approach should also be taken for the recovery planning requirements for non-IAIGs. In relation to para 113, we agree that there is value in benchmarking and assessing recovery plans from multiple insurers in individual jurisdictions. Suggest to include this proposal in ICP 16.
417. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** We generally agree with the proposals and we appreciate the efforts undertaken by the IAIS to articulate the proportionality principle more clearly in recovery (and resolution). Implementation monitoring will be essential to ensure consistent application as well as to refine proportionality in IAIS' supervisory material based on practical experience in the member jurisdictions.
418. Aegon NV	The Netherlands	No	**Answer:** Yes **Comment:** Yes, we support the proposals for recovery planning and believe that all IAIGs—and non-IAIGs on a proportionate basis—should develop recovery plans as a component of a sound ERM framework.
419. National Association of Mutual Insurance Companies	United States	No	**Answer:** No **Comment:** NAMIC does not agree that all insurers should be required to complete recovery planning documentation. There is no clear understanding at this point how individual jurisdictions will apply recovery plans. It is premature to include reference to a broader requirement in this CD. It is also not the intention of ICP 16 on recovery plans that the submission would be required of all insurers—the ICP just references the possibility that a broader group of insurers (beyond GSIIs and IAIGs) may be asked to file such plans in some jurisdictions.
420. Prudential Financial, Inc.	United States of America	No	**Answer:** Yes **Comment:** We agree with the proposal for insurers to develop recovery plans, including the responsibility for insurers to own their development and maintenance. However, we note the following points: + Rather than serving as a means "to assess what events would be sufficient to cause distress" recovery plans should serve as a vehicle for outlining potential actions that should be taken in the event of a material stress event;

			+ The focus of recovery planning should be on substance over form and insurers should have sufficient latitude to develop the plans in a manner that works best for them; and + In light of the IAIS's support for ending the identification of G-SIIs the reference in paragraph 114 should be eliminated.
421. CNA	USA	No	**Answer:** No **Comment:** We have raised a number of issues in our response to the IAIS's Draft Application on Recovery Planning, which we will not repeat here, but we would request amendment of the language in Paragraph 112 of the Holistic Framework that refers to a "roadmap" for how the insurer could re-establish its financial position. A recovery plan is not a roadmap but a set of plausible options to restore an insurer to financial health. The precise course of action under a recovery plan cannot be determined until a particular stress event occurs. Benchmarking of recovery plans (Paragraph 113) should be conducted in a manner that recognizes the unique risk profiles of insurers and insurance groups, as well as the broad range of acceptable approaches to recovery planning and the wide scope of possible recovery options. Moreover, any benchmarking exercises should be conducted with due consideration of confidentiality and the need to protect proprietary information.
422. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** Yes **Comment:** Please see our response to question 29.
Q28 Do you agree with the proposals on resolution planning? Please elaborate.			
423.		No	**Answer:** No **Comment:** There is a logical problem in the proposal on resolution planning. As this document puts, when considering the need for resolution plans, the resolution authority should take into account the factors such as financial stability, business complexity, etc. But in the Draft Revised ICP 12, resolution is applicable to all insurers. It seems that what the IAIS want to convey is that no resolution plan would be needed if there is no financial stability concern. As a corollary, is it the case that when dealing with small insurers, resolution would be carried out by resolution authorities without resolution plans? The occurring of this inconsistency or paradox, I speculate, is largely due to the chaos in the

			understanding of "resolution". This is related to the fact that the "resolution regime" initially proposed by the FSB has long been regarded as a regime dealing with systemic crises.
424. Allianz	Germany	No	**Answer:** No **Comment:** We consider the proposal on resolution planning to be premature and very high level. For a proper resolution planning and related requirements, the interaction between (local) Prescribed Capital Requirement, Resolution requirements and local insolvency procedure needs to be carefully considered. While we welcome the statement on resolution planning as being non-mandatory for all IAIGs, we question that this can be left entirely to the discretion of supervisors and resolution authorities. Ultimately, any resolution planning needs to follow clear local (at the group head level) legislation.
425. International Actuarial Association	International	No	**Answer:** Yes **Comment:** We agree that resolution planning can be a useful tool for supervisors as, for example, the work done by GSIIs on resolution planning has often identified barriers to resolution that were not easy to identify ex-ante.
426. General Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** Yes.
427. The Life Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** Developing a resolution plan is a policy measure that only the G-SIIs are required to develop under the existing framework. It should be sufficiently analyzed necessity and relevance to risks for application of the resolution plan. It should be applied subject to the proportionality principle then should not be required insurers to develop a plan that is equivalent to the existing G-SIIs framework.
428. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** ACLI generally agrees with the proposals relating to resolution planning.
429. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** While we generally agree with the proposals regarding resolution planning, we would like to reiterate our concerns (c.f. our response to the 2016 consultation on ICP12 and ComFrame M3E3) regarding proposals to mandate

			ex-ante policy measures to improve resolvability, especially those affecting the structure of insurance groups. These measures are far reaching as noted by the FSB in its guidance on resolution planning for systemically important insurers (6 June 2016), para. 2.1.2 related to FSB KA 10.5: “The decision to impose any such requirement should take due account of the effect on the soundness and stability of ongoing business.”
430. Aegon N V	The Netherlands	No	**Answer:** No **Comment:** We have some disagreements with the proposals on resolution planning. We believe that resolution plans should be created for only a subset of insurers, but we do not believe that international activity is an appropriate dividing line. Rather we believe that resolution planning requirements should be based on institution-specific characteristics such as complexity (of which international activity is one of many dimensions) and the existence of critical functions, which are rare in the insurance space. We also do not believe that resolution plans should be mandated solely at the discretion of the supervisor but should be a matter of jurisdictional discretion and codified in laws and regulations.
431. Prudenti al Financial, I nc.	United States of America	No	**Answer:** Yes **Comment:** We agree with the decision to make resolution plans a discretionary policy measure. As with recovery plans we believe the focus on resolution plans, if employed, should be on substance over form. Further, in assessing if a resolution plan should be developed – either by the supervisor or the IAIS as part of an implementation assessment – the sophistication of the market should also be taken into consideration (i.e., the strength of receivership laws, history of dealing with insolvencies, presence of policyholder protection schemes, etc.).
432. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** Yes **Comment:** Please see our response to question 29.
Q29 Are the proposals as discussed in section 3.4 on crisis management and planning appropriate? Please elaborate.			
433.		No	**Answer:** The meaning of the "resolution regime" is ambiguous and may cause confusion. In the FSB Key Attributes, it is provided that ´[a]ny financial institution that could be systemically significant or critical if it fails should be subject to a resolution regime that has the attributes set out in this document´. But in the Draft Revised ICP 12, the resolution regime could be applied to all insurers. Therefore, it is better to avoid using the term "resolution regime" in the forthcoming ICP 12, otherwise the term to be used would be inconsistent with the same term used in numerous documents the IAIS has issued, which would definitely cause confusion. I suggest that "Crisis Management and Market Exit Regime (or

			Mechanism)" could be used as the title of the revised ICP 12. In fact, both the term "crisis management" and "exit of the market" have already contained in the contents of the Draft Revised ICP 12. Besides, in contrast with the FSB proposed resolution regime, which is focused only on the concern of financial stability, the resolution regime in the Draft Revised ICP 12 has the only objective of policyholder protection. This objective is obviously not consistent with consideration from both the microprudential and macprodential perspectives in this Holistic Framework Document. Therefore, it should be clearly put in the forthcoming ICP 12 that policyholder protection and financial stability are two core objectives in the Crisis Management and Market Exit Regime of insurers. In practice, how to balance these two core objectives in a certain case would be dependent on discretion of regulatory authorities.
434. Institute of Internation al Finance	Global	No	**Answer:** We have raised a number of issues in our response to the IAIS' Draft Application on Recovery Planning, which we will not repeat here, but we would request amendment of the language in Paragraph 112 of the Holistic Framework that refers to a "roadmap" for how the insurer could re-establish its financial position. A recovery plan is not a roadmap but a set of plausible options to restore an insurer to financial health. The precise course of action under a recovery plan cannot be determined until a particular stress event occurs. Benchmarking of recovery plans (Paragraph 113) should be conducted in a manner that recognizes the unique risk profiles of insurers and insurance groups, as well as the broad range of acceptable approaches to recovery planning and the wide scope of possible recovery options. Moreover, any benchmarking exercises should be conducted with due consideration of confidentiality and the need to protect proprietary information.
435. Internati onal Actuarial Association	International	No	**Answer:** Yes
436. General Insurance As sociation of J apan	Japan	No	**Answer:** See our comments on Question 26 to 28.
437. The Life Insurance As sociation of J apan	Japan	No	**Answer:** With respect to the recovery plan and the resolution plan, it should be considered to the proportionality principle then should not be required insurers to develop these plans that is equivalent to the G-SIIs.

438. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** ACLI believes the current IAIS materials relevant to crisis management are appropriate, and agrees that no additional changes are needed.
439. Swiss R e	Switzerland	No	**Answer:** We generally agree with the proposals.
440. Prudenti al Financial, I nc.	United States of America	No	**Answer:** We believe this question was intended to refer to section 3.4. Accordingly, please refer to our response to question 26.
441. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** Assuming the references in question 29 should be to section 3.4 rather than 3.3, the proposal at the end of section 3.4 is to make no change to the applicable ICPs and ComFrame related materials. We agree that the standards and guidance should continue to reflect that resolution regimes can provide for broad regulatory authority with necessary flexibility to address problems as they arise, rather than focusing on prescriptive statutory frameworks or required explicit powers.
Q30 Do you agree with the above proposal to amend the Standard on powers of intervention based on macroprudential surveillance? Please elaborate.			
442.		No	**Answer:** Yes **Comment:** I agree with proposals on powers of intervention. The proposals consider from both the microprudential and macroprudentical perspective, making powers of intervention more in line with the two core objectives of insurance regulation, i.e. policyholder protection and financial stability. Just a reminder that contents within the whole framework should be coordinated and consistent. For example, the draft Revised ICP 10 should be coordinated with the Draft Revised ICP 12. As a matter of fact, powers of intervention in the draft Revised ICP 10 are in substance similar to measures of crisis management in the Draft Revised ICP 12, hence the need for further consideration regarding the artificial separation of them. As I see it, all proposed powers of intervention and measures of crisis management are measures which could be taken by regulatory authorities when dealing with troubled insurers.
443. Insuranc e Europe	Europe	No	**Answer:** No **Comment:** Insurance Europe considers that care needs to be taken when applying supervisory powers of intervention to groups of insurers on a market-wide basis. While this may make sense for the banking sector, given its homogeneous business, application of broad market-based powers of intervention in the insurance sector could result in unforeseen consequences. Unlike banks, individual insurers have

			very different products, business mixes and liabilities, which may respond differently to a market-wide macroprudential intervention. Any powers of intervention introduced to the ICPs should have a clearly articulated purpose in terms of the nature and level of potential systemic risk to the global financial system their use would be intended to mitigate. In addition, the use of such powers of intervention should be subject to adequate safeguards. The supervisor should demonstrate that their use is only considered where: (1) there is potential material, systemic risk to the global financial system; and (2) the necessary reduction or mitigation of this risk cannot be achieved through existing supervisory approaches and tools. As such, any powers of intervention should be viewed as powers of last resort for use in exceptional circumstances.
444. Allianz	Germany	No	**Answer:** No **Comment:** We struggle with the introduction of the possibility of supervisory intervention on macroprudential grounds only, especially in cases where the insurer is still compliant with all microprudential requirements. At a minimum, this would require a clear definition of the systemic risk and related transmission channel(s) applicable. Moreover, the supervisor would need to prove exertion of due discretion with the decision being able to be challenged in a court of law.
445. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** It is necessary to have a response for macro concerns in both scenarios, an individual failure and collective activities. Therefore, the amendments proposed is appropriate since ICP 24 so far only included the TBTF perspective of systemic risk.
446. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** GFIA considers that care needs to be taken when applying supervisory powers of intervention to groups of insurers on a market-wide basis. While this may make sense for the banking sector, given its homogeneous business, application of broad market-based powers of intervention in the insurance sector could result in unforeseen consequences. Unlike banks, individual insurers have very different products, business mixes and liabilities, which may respond differently to a market-wide macroprudential intervention. Any powers of intervention introduced to the ICPs should have a clearly articulated purpose in terms of the nature and level of potential systemic risk to the global financial system their use would be intended to mitigate. In addition, the use of such powers of intervention should be subject to adequate safeguards. The supervisor should demonstrate that their use is only considered where: (1) there is potential material, systemic risk to the global financial system; and (2) the necessary reduction or mitigation of this risk cannot be

			achieved through existing supervisory approaches and tools. As such, any powers of intervention should be viewed as powers of last resort for use in exceptional circumstances.
447. International Actuarial Association	International	No	**Answer:** Yes
448. General Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** Criteria for intervention should be clarified more precisely because, without it, decisions on similar events may vary from supervisor to supervisor in different jurisdictions. In addition, any intervention that unfairly imposes disadvantages on a certain insurer is inappropriate in a competitive environment. Information disclosure and communication providing financial institutions with better predictability are also needed.
449. The Life Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** Powers of intervention for supervisors should be the last resort to use where insurers' business is inappropriately operated, the build-up of systemic risks is clearly detected, and there are no measures left to mitigate. Therefore, it should be clarified how it is implemented and ensure insurers' predictability.
450. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No **Comment:** ACLI supports the development of supervisory tools that help achieve the objective of preserving financial stability. The use of powers of intervention based on macro-prudential surveillance should be subject to transparent triggers. More broadly, the powers should have a clear link to the risk exposure / transmission channel they are aiming to address with consideration given to the potential adverse impacts that may arise from exercising the powers. ACLI would oppose the ability of supervisors to take drastic unilateral action simply by declaring the existence of a crisis. We believe the IAIS should further elaborate on how they envision this element of the Holistic Framework working in practice in future consultations and application papers.
451. Swiss Re	Switzerland	No	**Answer:** No **Comment:** See our comments to Q9 and Q13.

452. Aegon N V	The Netherlands	No	**Answer:** Yes **Comment:** Aegon can agree as long as "systemic risk" is defined more narrowly than as proposed in the consultation document. The scope of systemic risk in the consultation document, in combination with the proposed powers of intervention, could give the supervisor extraordinary authority to declare a crisis for highly judgmental reasons and then exercise powers that would have a drastic and perhaps permanent impact on an insurer's franchise.
453. Lloyd's o f London	UK	No	**Answer:** No **Comment:** It is unclear what precisely is being proposed in paragraph 121. We believe that national supervisors will generally have existing powers that are sufficient to deal with systemic risks identified by macro-economic surveillance, so the proposed amendment may well not add anything substantial. The "appropriate supervisory response" will depend on the nature of the threat identified, so cannot be specified ICP 24.
454. Associati on of British I nsurers	United Kingdom	No	**Answer:** No **Comment:** The ABI considers that care needs to be taken when applying supervisory powers of intervention to groups of insurers on a market-wide basis. While this may make sense for the banking sector, given its homogeneous business, application of broad market-based powers of intervention in the insurance sector could result in unforeseen consequences. Unlike banks, individual insurers have very different products, business mixes and liabilities, which may respond differently to a market-wide macroprudential intervention. For example, a large exposure limit power of intervention would be inappropriate, given that the impact would likely differ between insurers. Any powers of intervention introduced to the ICPs should have a clearly articulated purpose in terms of the nature and level of potential systemic risk to the global financial system their use would be intended to mitigate. In addition, the use of such powers of intervention should be subject to adequate safeguards. The supervisor should demonstrate that their use is only considered where: (1) there is potential material, systemic risk to the global financial system; and (2) the necessary reduction or mitigation of this risk cannot be achieved through existing supervisory approaches and tools. As such, any powers of intervention should be viewed as powers of last resort for use in exceptional circumstances.
455. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** No **Comment:** See GFIA response.

456. RAA	United States and many other jurisdicitons	No	**Answer:** No **Comment:** The RAA is concerned about applying supervisory powers of intervention to groups of insurers on an industry-wide basis and believe such powers should be limited to extreme circumstances. While this approach may make sense for the banking sector, given its more homogeneous business, application of broad powers of intervention in the insurance sector could result in unintended consequences. Unlike banks, individual insurers have very different products, business mixes and liabilities, which may respond differently to a industry-wide macroprudential intervention. Any powers of intervention introduced to the ICPs should have a clearly articulated purpose in terms of the nature and level of potential systemic risk to the global financial system their use would be intended to mitigate. In addition, the use of such powers of intervention should be subject to adequate safeguards. The supervisor should demonstrate that their use is only considered where: (1) there is potential material, systemic risk to the global financial system; and (2) the necessary reduction or mitigation of this risk cannot be achieved through existing supervisory approaches and tools. As such, any powers of intervention should be viewed as powers of last resort for use in exceptional circumstances.
457. Prudenti al Financial, I nc.	United States of America	No	**Answer:** No **Comment:** We support the development of supervisory tools and approaches that help achieve the objective of preserving financial stability. The appropriateness of exercising powers of intervention based on macro-prudential surveillance should be subject to similar transparent triggers as used for purposes of micro-prudential interventions. In addition, the powers should have a clear link to the risk exposure / transmission channel they are aiming to address with consideration given to the potential adverse impacts that may arise from exercising the powers (e.g., unlevel playing field, loss of confidence in the industry, potentially increasing pro-cyclicality and/or systemic risk, etc.). We believe the IAIS should further elaborate on how they envision this element of the Holistic Framework working in practice in future consultations and application papers.
458. America n Property Ca sualty Insuran ce Associatio n (APCIA)	USA	No	**Answer:** No **Comment:** We are concerned that the proposed changes to ICP 24 be drafted in such a way to assure that any supervisory response is appropriately proportional, not just because of the desire to apply the proportionality principle generally across the ICPs (however, see our concerns expressed in respect of proportionality, referred to herein at question #6), but also because of the specific focus in this instance on systemic risk. In particular, the focus on the collective risk exposures of insurers at a sector-wide level could result in the perverse outcome that any risk is systemic simply because all insurers in a sector have some exposure. As a consequence, we remain concerned that the resulting revised supervisory material could result in measures that are not cost-beneficial, and which do not focus, as intended,

			on true systemic risks. We look forward to the opportunity to consult with the IAIS when the proposed revisions have been drafted.
459. CNA	USA	No	**Answer:** No **Comment:** Supervisory powers of intervention should be viewed as extraordinary, far-reaching emergency measures to be applied in a limited and proportional manner only to those insurers conducting activities that give rise to systemic risk. Any use of the supervisory powers of intervention should be based on objective criteria and due consideration of other, less invasive supervisory measures that could be used to address the risk. Supervisors should consider the interests of a wide range of stakeholders before electing to use supervisory powers of intervention; supervisors should consider, at a minimum, the interests of policyholders, shareholders, debt holders, the market in which the insurer operates, the global insurance sector and the financial services sector. Supervisors should be encouraged to justify in writing the use of any supervisory power of intervention and provide a clear time limitation for the discontinuation of or, at a minimum the review of, the use of the power.
460. Northwestern Mutual	USA	No	**Answer:** No **Comment:** Please see our response to Question 31 below.
461. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** Extreme care needs to be taken before proposing language around a standard on powers of intervention for macro-prudential purposes. While in most cases, micro and macroprudential objectives are aligned, there may be exceptional situations where they are not. Thus supervisory mandates, as well as legal, and fiduciary considerations will need to be considered and will require that the IAIS remain non-prescriptive on this issue.
Q31 Do you agree with the above proposal to amend the Standards and Guidance on preventive and corrective measures? Please elaborate.			
462. Insurance Europe	Europe	No	**Answer:** No **Comment:** Insurance Europe considers that some of the additional measures set out under the third bullet point of Paragraph 129 regarding proposed enhancements to ICP 10 seem to be more appropriate as crisis management/resolution measures, rather than measures aimed at mitigating/managing systemic risk.
463. Allianz	Germany	No	**Answer:** No **Comment:** We struggle with the introduction of the possibility of preventive and corrective measure, especially in cases

			where the insurer is still compliant with all microprudential requirements. At a minimum, this would require a clear definition of the systemic risk and related transmission channel(s) applicable and how the corrective measure would address this. Moreover, the supervisor would need to prove exertion of due discretion with the decision being able to be challenged in a court of law.
464. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** The requirement to have tools available to address systemic concerns arising from collective activities is absolutely necessary, otherwise the Holistic Framework would only be a toothless monitoring tool. BaFin supports the proposed approach to have a list of instruments as guidance as a starting point. Going forward, the IAIS should consider whether some of those would benefit from an elevation to a Standard, given the experience of for example 5 years of application of the Holistic Framework. Specifically with regard to “reinforcement of financial position”, BaFin would like to express that this is not necessarily HLA as developed by the IAIS in 2015. Supervisors may develop other capital add-ons specifically designed and calibrated to their local regimes. BaFin specifically supports the inclusion of a “SRMP light” approach as part of the Holistic Framework. It can also be considered whether such a report, if necessary, can be integrated into the recovery plan of a firm.
465. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** GFIA considers that some of the additional measures set out under the third bullet point of Paragraph 129 regarding proposed enhancements to ICP 10 seem to be more appropriate as crisis management/resolution measures, rather than measures aimed at mitigating/managing systemic risk.
466. International Actuarial Association	International	No	**Answer:** Yes **Comment:** Yes, although we recommend a much clearer connection between the sources and types of systemic risk and the measures needed to address them so their triggers can be more appropriately defined.
467. General Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** We understand the importance of supervisors having discretion, to some extent, for Preventive Measures and Corrective Measures. However, when implementing these measures, supervisors should be accountable for them to avoid arbitrary implementation and any resultant policyholder confusion.

			With regards the proposal in the paragraph in 129, as it is a ‘guidance’, the word "should" ought to be replaced with "may". Also, any increase in burden compared to the current level should be avoided.
468. The Life Insurance As sociation of J apan	Japan	No	**Answer:** No **Comment:** A report on the management of systemic risk stated in paragraph 124 is inappropriate because it expands an application target of Systemic Risk Management Plan (SRMP) which is mandatory to the G-SIIs under the existing framework. The LIAJ agrees that the supervisor should require the increase in capital only when it mitigates identified systemic risk and as stated in paragraph 126 the supervisor should clearly document the rationale for the requirement. However, it should be noted that the increase in capital is not always an appropriate direction even when the requirement of increase in capital is limited to the identified systemic risk. And also, if it is not limited to the identified systemic risk, it would impose capital enhancement on activities not related to the systemic risk.
469. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** No **Comment:** Please see our response to question 30.
470. Monetar y Authority of Singapore (M AS)	Singapore	No	**Answer:** Yes **Comment:** We agree that the Standards and Guidance on preventive and corrective measures should be enhanced to include measures based on the macroprudential perspective. However, the inclusion of examples of macroprudential grounds to act on as well as appropriate intervention measures to apply would be helpful, where possible.
471. State Se cretariat for In ternational Fi nance	Switzerland	No	**Answer:** No **Comment:** Measures based purely on macro- but not on microprudential grounds are much more difficult to explain to the insurers and to policyholders concerned. Before the ICP require the jurisdictions to have respective competencies in place, there should be more experience and evidence with systemic activities. We suggest postponing IPC 10 with the enhancements drafted in paragraph 129. In addition, those enhancements seem to be in contradiction to paragraph 64 of the consultation document.

472. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** We generally agree with the proposal. However, we suggest to remove the term "macroprudential" from the first bullet point, as financial stability (systemic risk) should be the primary concern, and we consider there to be no difference between "macroprudential" and financial stability (see our answers to Q9 and Q13). In the second bullet point, the IAIS should emphasize targeted measures that address specific activities or vulnerabilities, over lump sum measures like the reinforcement of the financial position. See our response to Q32 for further details.
473. Aegon NV	The Netherlands	No	**Answer:** Yes **Comment:** Aegon can support having a limited systemic risk-related emergency authority in place that might apply very infrequently—perhaps once in a generation or once in a lifetime. However we are opposed to any construct that would allow supervisors to declare a crisis for highly judgmental reasons and then exercise powers that would have a drastic and perhaps permanent impact on an insurer's franchise. The proposed powers of intervention must have strong guardrails around them.
474. Lloyd's of London	UK	No	**Answer:** No **Comment:** Application of the supervisory measures listed in paragraphs 125 – 128 would be a serious matter for any undertaking to which they were applied. It is therefore important that they are only imposed in the face of a real and present danger of systemic risk. This, in turn, requires a much clear picture of the nature of systemic risk than is set out in section 2 of the paper. Much of the focus of these proposals appears to be on liquidity risk and under-reserving. It is unclear why these would be appropriate responses to "exposures" such as lack of substitutability, cyber risk or climate risk. Penalties on engagement in identified market sectors, such as capital add-ons, would encourage undertakings not to participate in those sectors, thereby making a problem such as substitutability worse. Requirements to increase capital should be subject to legal safeguards and should only be applied in carefully identified circumstances. In this context, it is unclear what is meant by a "group of insurers". Does this mean an insurance group, or a number of different and unrelated undertakings, who happen to be engaged in the same activity? Application of additional capital requirements to the latter may well be inappropriate, since different entities have different business models and their financial strength and ability to bear particular risk exposures will vary.
475. Association of British Insurers	United Kingdom	No	**Answer:** No **Comment:** The ABI considers that some of the additional measures set out under the third bullet point of Paragraph 129

			regarding proposed enhancements to ICP 10 (such as lowering the maximum rate of guarantees for new business or introducing additional reserving requirements) seem to be more appropriate as crisis management/resolution measures, rather than measures aimed at mitigating/managing systemic risk.
476. National Association of Mutual Insurance Companies	United States	No	**Answer:** No **Comment:** See GFIA Response.
477. Prudential Financial, Inc.	United States of America	No	**Answer:** No **Comment:** Please refer to our response to question 30.
478. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** No **Comment:** The proposal includes to amend ICP 10 "to also allow the supervisor to require preventive and corrective measures based on a macroprudential perspective or financial stability concern." We believe that a "perspective" alone is not a sufficient indicator to trigger additional measures. Stakeholders, including legislators, will want to know that additional regulation is based on thoughtful research and engagement with stakeholders about what activities pose unacceptable levels of risk so as to be deemed potentially systemic; whether that is assessed on a global, jurisdictional, industry or sector-wide basis; using what metrics or other criteria; the standards to be applied; are cost-beneficial and proportional; and how appropriate due process will be honored. It is important that in suggesting to members the enhancements to ICP 10, that the IAIS provide the necessary criterial for supervisors to be consider in developing such a "perspective." Likewise, we look forward to the opportunity to consult further with the IAIS when such language has been drafted.
479. Northwestern Mutual	USA	No	**Answer:** No **Comment:** The proposal does not provide a sufficient basis to justify such an extraordinary deviation from existing insurance regulatory powers. Insurance regulation has historically, and successfully, been focused on the protection of policyholders. Introduction of extraordinary supervisory intervention powers on the basis of perceived systemic risks has the potential to conflict with that historical focus, to the detriment of policyholders. Before making a commitment to this direction, the IAIS should first study and consult on related issues, such as: - when conflict arises between the proposed intervention and the interests of policyholders, how will that conflict be

			resolved? - how would such extraordinary powers work practically with the existing regulatory mandates of IAIS members? - how will the potential for pro-cyclical effects that have been noted be resolved?
480. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** Please see our answer to question 30.
Q32 Are the proposals in section 3.5 on powers of intervention appropriate? Please elaborate.			
481. Insuranc e Europe	Europe	No	**Answer:** Insurance Europe believes that an understanding of an insurer's business should be a prerequisite to the use of intervention powers. As set out in the answer to Queston 30, Insurance Europe believes that intervention powers should be used as a last resort when: (1) there is potential material, systemic risk to the global financial system; and (2) the necessary reduction or mitigation of this risk cannot be achieved through existing supervisory approaches and tools.
482. Allianz	Germany	No	**Answer:** See answers to Q30 and Q31
483. Global F ederation of I nsurance Ass ociations	Global	No	**Answer:** GFIA is of the view that an understanding of an insurer's business should be a prerequisite to the use of intervention powers. For this reason, it would be more appropriate in most cases to apply intervention powers to individual insurers rather than groups of insurers. As set out in the answer to question 30, GFIA also takes the view that intervention powers should be used as a last resort when: - There is potential systemic risk that could be material to the global financial system; and - The necessary reduction or mitigation of this risk cannot be achieved through existing supervisory approaches and tools.

484. Institute of International Finance	Global	No	**Answer:** We appreciate the helpful clarification of the supervisory powers of intervention provided at the January 15, 2019 stakeholder meeting and would encourage the IAIS to memorialize the clarification that these powers are temporary actions to be taken at the discretion of the national supervisor in response to specific circumstances, with appropriate consultation with other affected jurisdictions. Supervisory powers of intervention should be viewed as extraordinary, far-reaching emergency measures to be applied in a limited and proportional manner to insurers conducting activities that are giving rise to systemic risk concerns. Any use of the supervisory powers of intervention should be based on objective criteria and due consideration of other, less invasive supervisory measures that could be used to address the risk. Supervisors should consider the interests of a wide range of stakeholders before electing to use supervisory powers of intervention; supervisors should consider, at a minimum, the interests of policyholders, shareholders, debtholders, the market in which the insurer operates, the global insurance sector and the financial services sector. Supervisors should be encouraged to identify and quantify the materiality and potential systemic risk impact of an exposure or activity before imposing a supervisory power of intervention, justify in writing the use of the supervisory power of intervention, and provide a clear time limitation for the discontinuation of or, at a minimum the review of, the use of the power. Any application of the supervisory powers of intervention should be at the individual insurer or insurance group level to avoid overbroad application to the entire sector or a particular sub-sector and potential unintended consequences. Altering a company's sales practices, imposing large exposure limits, restricting the transfer of assets, restricting the activities of a subsidiary, freezing assets, imposing stays on surrenders, or lowering the maximum rate of guarantees would likely result in grave harm to an insurer's franchise and to the entire industry through the abrogation of contracts and reduced market and policyholder confidence. Any measures that would restrict the ability of an insurer to offer particular products could interfere with the provision of necessary long-term products and shift risks to policyholders ill-suited to absorb those risks. Capital add-ons generally should be avoided, as they are a blunt instrument, as is suggested by the admonition that supervisors should clearly document the rationale for an add-on, explain the specific risk it is designed to mitigate, and restrict the use of an add-on to a pre-determined fixed period. Paragraph 123 states that a supervisor may need to intervene on macroprudential grounds, even in cases where every individual insurer still operates in a manner that is consistent with microprudential requirements. Supervisors should be cautioned that any such intervention could risk significant unintended consequences and any such action should be considered only in the most extreme circumstances and only after full consultation with other macroprudential authorities in the relevant jurisdiction(s). We appreciate the acknowledgement by the IAIS at the January 15, 2019 stakeholder meeting that the supervisory powers of intervention may have procyclical impacts and that, as the Holistic Framework continues to be developed, IAIS members are committed to reviewing the potential for such impacts in order to mitigate procyclicality.

			Paragraph 124 calls for a report on the management of systemic risk as a way to integrate elements of the Systemic Risk Management Plan (SRMP) into the supervisory toolbox. At the outset, we would suggest that the SRMP is largely duplicative of insurers' ERM frameworks and generally does not provide significant added value or additional insights. We would also caution against developing a list of systemically risky activities that does not take into consideration, in a holistic manner, the materiality of those activities and whether and to what extent the conduct of those activities could transmit systemic risk to the wider global financial system.
485. International Actuarial Association	International	No	**Answer:** Yes.
486. General Insurance Association of Japan	Japan	No	**Answer:** As the criteria for cases where supervisors require Preventive Measures and Corrective Measures are unclear, there is a need to develop more precise guidance. In addition, any intervention that imposes unfair disadvantages on a certain insurer is inappropriate in a competitive environment. Related to the following description in paragraph 128, we would like to confirm if it intends to suspend insurance claim payments when supervisors judge there is systemic risk. "This will then be based on a microprudential concern. In the same vain, it may also be helpful if the supervisor has the ability to take early-intervention action against insurers based on a macroprudential concern. For instance, supervisors may want to have the following measures available: o Temporarily restrict the exercise of certain transactions or activities, including the acceptance of premiums or payments;"
487. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Please see our response to question 30.
488. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** The intervention powers appear appropriate. However, we would like to better understand what is meant by "system-wide lending facilities" and the envisaged macroprudential scenarios where it would be appropriate to extend system-wide lending facilities to insurers.

489. Dirección General de Seguros y Fondos de Pensiones	Spain	No	**Answer:** Large exposure limits: To set up limits to exposures shouldn´t be based only in a % of assets without more consideration. We should take into account , among others, the economical situation (normal or stressed situation), the ALM features of each market (availability of assets, ...) ,
490. State Secretariat for International Finance	Switzerland	No	**Answer:** See response to Q31: The proposed enhancements to ICP 10 are too early in the process.
491. Swiss Re	Switzerland	No	**Answer:** The reference to section 3.4 in the question is confusing: Section 3.4 relates to crisis management and planning. In our answer we assume section 3.5 was meant. We believe that intervention powers are appropriate when all other supervisory measures have been exhausted and proven ineffective for mitigating systemic risk ("ultima ratio"). A thorough analysis and intensive discussion among supervisory authorities should take place prior to imposing any such measures. The proposed powers of intervention should almost always be applied on an individual insurer, rather than on the whole sector. Measures should be applied to those insurers carrying out the specific activities of concern that are actually capable of transmitting material systemic risk to the financial system and the real economy. Lastly, here should be mechanisms in place to allow insurers to appeal supervisors´ application of intervention powers.
492. Association of British Insurers	United Kingdom	No	**Answer:** As set out in Question 30, the ABI considers that the supervisory powers of intervention should be positioned as reserve powers of last resort for use where: (1) There is potential systemic risk that could be material to the global financial system; and (2) The necessary reduction or mitigation of this risk cannot be achieved through existing supervisory approaches and tools. An understanding of an insurer's business should be a prerequisite to the use of intervention powers. Measures to restrict certain product types such as those with guarantees (as set out in Paragraph 125) may discourage features which reduce risk for policyholders. This would have the unintended consequence of moving risk away from insurers and on to policyholders.

			In relation to capital add-ons (as set out in Paragraph 126), these should only be considered where it can be clearly demonstrated that they would mitigate (and not aggravate) systemic risk. We would note that there may be better measures for reducing risks which do not encourage herding; these should be looked at before increases in capital requirements are considered. The ABI considers that large exposure limits (as set out in Paragraph 127) would be an inappropriate intervention power. Exposure limits are best managed by insurers as part of their enterprise risk management (ERM). This appears to be acknowledged by the IAIS in its proposals set out in Paragraph 105. The proposal (as set out in Paragraph 128) to extend system-wide lending facilities to insurers is one that must be considered with great care - such facilities come with heavy obligations.
493. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** No. See GFIA Response.
494. RAA	United States and many other jurisdicitons	No	**Answer:** We believe that an understanding of an insurer's business should be a prerequisite to the use of intervention powers. As a result it is more appropriate to apply intervention powers to individual insurers rather than groups of insurers. Such powers should be limited to extreme circumstances.
495. Prudenti al Financial, I nc.	United States of America	No	**Answer:** Overall, greater information on the linkage between the proposed tools and risk exposures or transmission channels they would apply to, when the powers would be employed, and how proportionality may be applied is needed to fully assess the appropriateness of the current proposal. That said, we offer the following initial thoughts on this section: - Section 3.5 places excessive focus on the potential systemic impact an individual insurer may have on global financial stability. - We do not believe a report on the management of systemic risk (i.e., an SRMP) is a relevant tool within a Holistic Framework that aims to address risks from a cross sector perspective. Insurers existing risk management frameworks and reporting should be leveraged to understand how they manage exposures that are of concern. - Although we appreciate the guidance that capital add-ons would need to be justified, clearly linked to a risk, and temporary in nature we continue to disagree with their consideration as a Holistic Framework policy measure. Raising capital on an activity for an individual insurer or subset of the market would only serve to drive the business to providers that are not subject to the add-on rather than eliminating the perceived risk.

			- Exposure limits can serve as an effective tool for limiting counterparty risk but should serve as a general element of risk management requirements/practice rather than and intervention tool to avoid serving as a driver of asset liquidation. More broadly, the IAIS and supervisors must consider and appreciate the potential adverse impacts that may arise from exercising the powers (e.g., unlevel playing field, loss of confidence in the industry, potentially increasing pro-cyclicality and/or systemic risk, etc.) particularly tools such as capital add-ons, exposure limits or the examples within paragraph 127. We believe the IAIS should further elaborate on how they envision these elements of the Holistic Framework working in practice in future consultations and application papers.
496. AIG	USA	No	**Answer:** AIG is concerned that the definition of powers for insurance supervisors "in response to the build-up of systemic risk" is overly expansive and, in practice, would need to consider the potential that intended supervisory remedies could, unintentionally, exacerbate systemic pressures and also create level playing field issues, if not applied consistently across jurisdictions. Constraints on business activities, hardwired exposure limits, and financial management restrictions (e.g., stopping dividends; mandated capital increases) could amplify market-wide liquidity pressures, if compelling market participants to become more risk averse during a period of market stress.
497. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** Some of the suggested powers would give supervisors the authority to intrude on areas of the business of insurance in which they lack the expertise of those involved in the business of insurance. There should be appropriate boundaries around the areas that can be the focus of supervisory action, but some of the proposed powers on "directions to reinforcement of the financial position" appear to cross that boundary. Furthermore, the proposed powers on large exposure limits seem to be very restrictive.
498. CNA	USA	No	**Answer:** Altering a company's sales practices, imposing large exposure limits, restricting the transfer of assets, restricting the activities of a subsidiary, freezing assets, imposing stays on surrenders, or lowering the maximum rate of guarantees would likely result in grave harm to an insurer's franchise and to the entire industry through the abrogation of contracts and reduced market and policyholder confidence. Any measures that would restrict the ability of an insurer to offer particular products could interfere with the provision of necessary long-term products and shift risks to policyholders ill-suited to absorb those risks. Capital add-ons generally should be avoided, as they are a blunt instrument, as is suggested by the admonition that supervisors should clearly document the rationale for an add-on, explain the specific risk it is designed to mitigate, and restrict the use of an add-on to a pre-determined fixed period.
499. Northwestern Mutual	USA	No	**Answer:** Please see our response to Question 31.
Q33 What are the expected costs and benefits of the proposals on powers of intervention in section 3.5?			

500. Global Federation of Insurance Associations	Global	No	**Answer:** GFIA sees little benefit or necessity for the expanded powers. If implemented poorly, or without properly designed triggering measurements, the expanded powers could impose significant costs on the insurance sector.
501. International Actuarial Association	International	No	**Answer:** The IAA notes that the exercise of any power to implement a stay on surrenders may have a cost to the reputation of the insurance industry and may result in conflicting positions between the prudential and conduct supervisors if they are separate.
502. General Insurance Association of Japan	Japan	No	**Answer:** Whilst we need more detailed information to assess the expected costs and benefits, because the proposal only provides a basic stance, excessive costs should be avoided.
503. The Life Insurance Association of Japan	Japan	No	**Answer:** With regard to implementing the intervention, the LIAJ believes that it should be implemented as needed for the purpose. It is important to note, where it is unnecessarily implemented, insurers might have opportunity loss and huge additional costs.
504. American Council of Life Insurers	Office of General Counsel	No	**Answer:** ACLI does not have specific data responsive to this question. However, as noted above we see little benefit or necessity for the expanded powers. If implemented poorly, or without properly designed triggering measurements, the expanded powers could impose significant costs on the insurance sector.
505. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** It is difficult to comment on the expected costs and benefits of the proposals at this juncture, especially given there's multiple stakeholders involved. The costs and benefits would become clearer when the proposals are more concrete
506. Swiss Re	Switzerland	No	**Answer:** These far-reaching measures are acute and drastic interventions in the free market mechanisms and may undermine the ability of insurers to provide useful services to society. Therefore, they should be used with utmost caution (ultima ratio). See our response to Q32 for further details.
507. National Association of Mutual Insura	United States	No	**Answer:** See GFIA Response.

nce Compani es			
508. Prudenti al Financial, I nc.	United States of America	No	**Answer:** As noted in our responses to questions 30 and 32 we believe there could be considerable costs to insurers, consumers, and markets associated with the powers, particularly if they were misapplied in practice.
509. CNA	USA	No	**Answer:** Please see CNA's general comments in response to question 1 regarding cost benefit analysis.
510. Northwe stern Mutual	USA	No	**Answer:** Please see our response to Question 31.
Q34 Are there any further considerations on Section 3? Please elaborate.			
511.		No	**Answer:** In most research conducted by the IAIS, 'insurer' is a collective term referring to insurance legal entities, insurance groups and insurance-led financial conglomerates. On this basis, research could have overall consideration about issues in the insurance industry. But this also brings drawbacks. Given different considerations based on business models, regulation of insurance groups and insurance-led financial conglomerates is largely different from that of insurance legal entities. Likewise, dealing with troubled insurance groups or insurance-led financial conglomerates is also different from dealing with insurance legal entities. Crises at the group level or conglomerate level do not necessarily mean that crises also exist in insurance legal entities, with the case of AIG a typical example. As policyholders merely have direct links with insurance legal entities, the dealing with troubled insurance groups or insurance-led financial conglomerates, to a large extent, does not involve issues relating to policyholders. Thus, the combined consideration of issues relating to both insurance groups and insurance legal entities in the same crisis management and market exit mechanism would cause chaos in theory as well as in practice. For example, all previously designated G-SIIs are insurance groups and insurance-led financial conglomerates, and obviously not an insurance legal entity itself could carry globally systemic importance. But contents of the FSB proposed resolution regime for G-SIIs are largely related to dealing with insurance legal entities, including restructuring of policies, transfer of policies, etc. Therefore, in a nutshell, it is important to give specific consideration to issues relating to insurance groups and insurance legal entities separately. As a matter of fact, some signs of this kind have already shown in the Draft Revised ICP 12: while most parts are related to "insurers", the "liquidation" part is related only to "insurance legal entities". But still, more careful consideration is needed in the IAIS future research.
512. Insuranc e Europe	Europe	No	**Answer:** Clarity is required over when and to whom intervention powers may apply, and how this links to the global monitoring exercise. For example, Insurance Europe would ask the IAIS to clarify whether there

			would be a materiality threshold for potential systemic activity/exposure below which such intervention powers would not be considered appropriate.
513. Global Federation of Insurance Associations	Global	No	**Answer:** Clarity is required over when and to whom intervention powers may apply, and how this links to the global monitoring exercise. For example, GFIA would ask the IAIS to clarify whether there would be a materiality threshold for potential systemic activity/exposure below which such intervention powers would not be considered appropriate. Given the IAIS' stated position that identification of G-SIIs is not warranted under the Holistic Framework, GFIA takes the view that it would be appropriate to remove the "G-SII Package" column from the figure in this section.
514. Institute of International Finance	Global	No	**Answer:** Comments Related to Supervisory Policy Measures The supervisory policy measures would benefit from a closer alignment of each of the measures to the objectives of the Holistic Framework and to the sources and transmission channels of insurance systemic risk that each measure is intended to address. We would suggest the expansion of Figure 1, Systemic risk transmission mechanism, to include, in addition to exposures and transmission channels, the particular policy measures that are designed to be responsive. We appreciate the statements made by the IAIS that the supervisory policy measures should be applied proportionately, based on the insurer's level of participation in an activity and taking into account actions by the insurer to mitigate the risks of that activity. We urge the IAIS to better reflect in the Holistic Framework how a proportional approach to the policy measures should be and could be applied in practice. The Holistic Framework would also benefit from a fuller explanation of how the supervisory policy measures could be applied to insurers that are not part of an internationally active insurance group. The IAIS has noted that it is intentionally blurring the line between microprudential and macroprudential policy measures, given the potential role that microprudential measures can play in achieving macroprudential objectives. We agree with the IAIS' assessment that microprudential tools can play an important role in achieving macroprudential objectives in addition to their primary goal of policyholder protection. However, if applied inappropriately, certain tools, particularly the powers of intervention proposed in Section 3.5, could have negative impacts on macroprudential risk and financial stability or could result in conflicts with the objective of policyholder protection. For example, the management of an insurer may find that a liquid asset buffer is beneficial, but a uniform regulatory requirement for a buffer could incent liquidity hoarding that would have negative macroprudential implications. A buffer could also be a blunt instrument if the implementation of the buffer does not take into consideration the insurer's liquidity risk management plans and enterprise risk management (ERM). An ICS that is overly sensitive to market movements could propagate or exacerbate procyclicality and systemic risk. Counterparty exposure limits could unduly restrict the role of insurers as investors and providers of funding. (We note that the IAIS has acknowledged that counterparty and concentration risk already receive

			considerable attention within the IAIS supervisory material and, thus, it may not be necessary to expand these measures.) We encourage the IAIS to consider the potential unintended consequences of these supervisory powers of intervention on the IAIS' stated microprudential and macroprudential goals and objectives as it continues to develop the Holistic Framework. In developing the Holistic Framework, the IAIS should consider jurisdictional approaches and requirements in order to avoid duplicative and burdensome requirements on both insurers and supervisors. To that end, we welcome the inclusion of a gap analysis in the four-step approach outlined in Paragraph 9. Supervisors should have the flexibility to adopt those policy measures that are best suited to their supervisory objectives and best address the nature, scale and complexity of insurers in their local markets or insurance groups for which they act as the group-wide supervisor. We encourage the IAIS not to use the ICS as a monitoring and assessment element during the Monitoring Period, as it is still in development, has not been tested adequately, and, thus, is not yet fit for purpose. Material changes to the ICS and robust ICS impact assessments are needed ahead of and during the five-year ICS monitoring period. This work is necessary to inform whether and how the ICS would fit into the Holistic Framework and how the ICS interacts with other IAIS and jurisdictional policy measures. Paragraph 79 proposes a supervisory Standard to establish a framework, including appropriate metrics, for measuring vulnerabilities at the individual insurer and aggregate, sector-wide level. Guidance related to this Standard would call for the development of supervisory stress testing to implement this framework. Potentially three types of stress tests are identified: (i) those that are undertaken by insurers to support their ERM; (ii) top-down supervisory stress tests; and (iii) bottom-up supervisory stress tests. Potentially three data collection and analysis exercises are identified: (i) data collection and analysis supporting the assessment of liquidity risk; (ii) data collection and analysis supporting the assessment of macroeconomic exposure; and (iii) data collection and analysis supporting the assessment of counterparty risk. We would urge the IAIS to further refine this ambitious proposal by considering the utility of the different types of stress tests and data collection and analysis exercises in light of: (i) the specific insurance activities and exposures and transmission channels that are most likely to propagate systemic risk to the broader global financial system; (ii) the most relevant shocks to risk factors and/or macroeconomic scenarios; (iii) the need to reflect the asset and liability profiles and business planning horizons of different types of insurers; (iv) the need to balance model sophistication and detail with data limitations and the risks of estimation uncertainty; and, importantly, (v) resource allocation concerns and a thorough analysis of the usefulness of a particular type of stress test, particularly if that stress test is proposed to be applied on an industry-wide basis. We would also encourage the IAIS to consider the extent to which existing jurisdictional stress testing frameworks could be leveraged effectively for this purpose. In analyzing the results of stress tests, we would caution against a rigid pass/fail approach and would advocate for both

			a quantitative and qualitative assessment of the results. Similarly, a less than optimal stress test result should not result automatically in the imposition of additional prudential measures, such as a capital add-on, but should form the basis for a supervisory conversation with the affected firm to discuss how to address the risk exposures that gave rise to a suboptimal stress testing result. Paragraphs 77, 90, 94 and 105 propose the collection from insurers and analysis by supervisors of granular data on liquidity risk, macroeconomic exposures, and counterparty risk. As a general matter, the insurer's own risk and solvency assessment (ORSA) should be the source of information on an insurer's risk management and further information should be required only on an exception basis. The collection by supervisors of significant amounts of additional granular data would impose substantial burden on both insurers and supervisors. We encourage the IAIS to refrain from imposing a Standard that supervisors require insurers to develop separate liquidity plans. In many jurisdictions, liquidity planning is part of the ORSA and ERM framework and a requirement for separate liquidity plans would be duplicative and burdensome. As noted in Paragraph 85, the management of liquidity risk is integral to ERM. It would be more appropriate to limit the dissemination of more granular information and metrics on liquidity risk to supervisors. With respect to disclosures to supervisors (i.e. regulatory reporting), the insurer's ORSA should be the primary source of information and supplemental reporting of capital, solvency measures and liquidity generally should not be necessary or required. For example, the reporting contemplated by Paragraphs 77 and 94 should be covered by the ORSA, where those risks and exposures are material to the insurer. Paragraphs 93 and 94 propose the addition of a Standard to ICP 20 that the supervisor requires quantitative and qualitative liquidity risk disclosures, in order to give more prominence to liquidity risk in disclosure requirements. Further requirements for liquidity risk disclosures to the market may not be particularly helpful and could lead to confusion, as market participants generally have a limited understanding of liquidity risk measures and metrics. Moreover, the IAIS should acknowledge and reflect the fact that market regulators generally impose disclosure requirements related to liquidity risk (and other key risks). Any liquidity risk disclosure standards should also consider differences among business models, national and regional markets, and focus on the unmet needs, if any, of investors and the general public for information. Supervisors should not impose contradictory or duplicative requirements. We have raised a number of issues in our response to the IAIS' Draft Application on Recovery Planning, which we will not repeat here, but we would request amendment of the language in Paragraph 112 of the Holistic Framework that refers to a "roadmap" for how the insurer could re-establish its financial position. A recovery plan is not a roadmap but a set of plausible options to restore an insurer to financial health. The precise course of action under a recovery plan

			cannot be determined until a particular stress event occurs. Benchmarking of recovery plans (Paragraph 113) should be conducted in a manner that recognizes the unique risk profiles of insurers and insurance groups, as well as the broad range of acceptable approaches to recovery planning and the wide scope of possible recovery options. Moreover, any benchmarking exercises should be conducted with due consideration of confidentiality and the need to protect proprietary information. Comments Related to Supervisory Powers of Intervention We appreciate the helpful clarification of the supervisory powers of intervention provided at the January 15, 2019 stakeholder meeting and would encourage the IAIS to memorialize the clarification that these powers are temporary actions to be taken at the discretion of the national supervisor in response to specific circumstances, with appropriate consultation with other affected jurisdictions. Supervisory powers of intervention should be viewed as extraordinary, far-reaching emergency measures to be applied in a limited and proportional manner to insurers conducting activities that are giving rise to systemic risk concerns. Any use of the supervisory powers of intervention should be based on objective criteria and due consideration of other, less invasive supervisory measures that could be used to address the risk. Supervisors should consider the interests of a wide range of stakeholders before electing to use supervisory powers of intervention; supervisors should consider, at a minimum, the interests of policyholders, shareholders, debtholders, the market in which the insurer operates, the global insurance sector and the financial services sector. Supervisors should be encouraged to identify and quantify the materiality and potential systemic risk impact of an exposure or activity before imposing a supervisory power of intervention, justify in writing the use of the supervisory power of intervention, and provide a clear time limitation for the discontinuation of or, at a minimum the review of, the use of the power. Any application of the supervisory powers of intervention should be at the individual insurer or insurance group level to avoid overbroad application to the entire sector or a particular sub-sector and potential unintended consequences. Altering a company's sales practices, imposing large exposure limits, restricting the transfer of assets, restricting the activities of a subsidiary, freezing assets, imposing stays on surrenders, or lowering the maximum rate of guarantees would likely result in grave harm to an insurer's franchise and to the entire industry through the abrogation of contracts and reduced market and policyholder confidence. Any measures that would restrict the ability of an insurer to offer particular products could interfere with the provision of necessary long-term products and shift risks to policyholders ill-suited to absorb those risks. Capital add-ons generally should be avoided, as they are a blunt instrument, as is suggested by the admonition that supervisors should clearly document the rationale for an add-on, explain the specific risk it is designed to mitigate, and restrict the use of an add-on to a pre-determined fixed period.

			Paragraph 123 states that a supervisor may need to intervene on macroprudential grounds, even in cases where every individual insurer still operates in a manner that is consistent with microprudential requirements. Supervisors should be cautioned that any such intervention could risk significant unintended consequences and any such action should be considered only in the most extreme circumstances and only after full consultation with other macroprudential authorities in the relevant jurisdiction(s). We appreciate the acknowledgement by the IAIS at the January 15, 2019 stakeholder meeting that the supervisory powers of intervention may have procyclical impacts and that, as the Holistic Framework continues to be developed, IAIS members are committed to reviewing the potential for such impacts in order to mitigate procyclicality. Paragraph 124 calls for a report on the management of systemic risk as a way to integrate elements of the Systemic Risk Management Plan (SRMP) into the supervisory toolbox. At the outset, we would suggest that the SRMP is largely duplicative of insurers' ERM frameworks and generally does not provide significant added value or additional insights. We would also caution against developing a list of systemically risky activities that does not take into consideration, in a holistic manner, the materiality of those activities and whether and to what extent the conduct of those activities could transmit systemic risk to the wider global financial system.
515. International Actuarial Association	International	No	**Answer:** The IAA suggest that the proposals put forward are very useful but one potential gap pertains to assessing the significance of interconnectedness risks (within a conglomerate or spillovers between financial sectors). The IAA notes that a number of FSAP reports over the last decade have identified examples of these risks being present and that siloed sectoral supervision inhibited their detection and management. The IAA suggests these IAIS proposals be modified to reinforce the role of insurance supervisors in proactively coordinating with other financial sector supervisors to identify these risks. Given the IAA recommendation that insurer systemic risk include the consideration of longer term issues, a necessary additional policy measure may well be to educate legislators and other financial service regulators on the unique aspects of systemic risk for insurers versus banks.
516. General Insurance Association of Japan	Japan	No	**Answer:** Although several parts of this document state that policy measures will be integrated into not only ICPs but also ComFrame, imposing stricter requirements on IAIGs than on non-IAIGs just because they are IAIGs is unreasonable because requirements for IAIGs and regulations for systemic risk have different objectives. Unless materials related to this proposal on policy measures already exist in ComFrame, policy measures should be integrated into mainly ICPs, and the proportionality principle should be applied.

517. The Life Insurance As sociation of J apan	Japan	No	**Answer:** In general, with regard to policy measures, it is overly rule-based, the LIAJ believes that this should be amended that more principles-based. Applying policy measures should involve careful consideration so as to avoid duplication; those tools that jurisdictions have in place, such as rules on governance and investment and policyholder protection scheme, that function effectively for the purpose of mitigating systemic risk should be respected. For example, Japan has been able to limit interconnectedness among financial institutions to a certain extent by having a rule to apply a large exposure cap on group consolidated basis and by imposing margin requirements for derivatives. Moreover, in Japan, the legal framework that provides for liquidity support by the Deposit Insurance Corporation of Japan to the broader financial sector including insurers subject to the determination that the financial system including the financial markets is at the risk of significant disruption in order to avoid such disruption. In assessing liquidity risk, due consideration should be paid to such framework contributing to suppressing systemic risk. Also, where jurisdictions have in place sound policyholder protection scheme, such scheme serves to dis-incentivize policyholders to surrender; as a result, PPS could contribute to mitigating risk contagion through macroeconomic exposure. It deserves careful attention that sound PPS could contribute to mitigating systemic risk. It should also be noted that applying policy measures might be a source of systemic risk, for example, an introduction of too straightforward requirements based on market value would have a potential to amplify macroeconomic risk by facilitating procyclical behavior.
518. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Given the IAIS' stated position that identification of G-SIIs is not warranted under the Holistic Framework we believe it would be appropriate to remove the "G-SII Package" column from the figure in this section as was done for the January 15 stakeholder session.
519. Swiss R e	Switzerland	No	**Answer:** As noted on different occasions in our comments to section 3: proportionality is becoming an ever more important principle in the applicability of the contemplated policy measures. As a corollary, implementation monitoring by the IAIS, and possibly other institutions e.g. as part of IMF FSAPs, is paramount to ensure consistent application.
520. Associati on of British I nsurers	United Kingdom	No	**Answer:** Clarity is required over when and to whom intervention powers may apply, and how this links to the global monitoring exercise. For example, we would ask the IAIS to clarify whether there would be a materiality threshold for potential systemic activity/exposure below which such intervention powers would not be considered appropriate.
521. National Association of	United States	No	**Answer:** See GFIA response.

Mutual Insurance Companies			
522. Prudential Financial, Inc.	United States of America	No	**Answer:** Here (and elsewhere) in the consultation there is continued reference to G-SIIs and/or G-SII policy measures, which we believe undercuts the IAIS' stated efforts to move away from a binary approach to systemic risk. Future iterations of the Holistic Framework should take greater care to avoid indirect reinforcement of the binary approach. With respect to this section we encourage the IAIS to remove the final column on the right as was done for the IAIS public stakeholder session on January 15.
523. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** As the IAIS moves from concepts to actual text, it should be open to finding the most appropriate way to incorporate the relevant recommendations. The incorporation of the holistic framework seems fragmented, as proposed concepts are sprinkled throughout a variety of ICP standards, guidance and ComFrame. Consideration should be given to revamping ICP 24 to potentially including the salient elements of the holistic framework. While there is no perfect way of incorporating the holistic framework in the IAIS supervisory material, the IAIS should find the most appropriate and practical way to "tell the story" about systemic risk assessment and mitigation.
Q35 Do you agree with the approach to the global monitoring exercise as described above? Please elaborate.			
524. CLHIA	Canada	No	**Answer:** Monitoring Period / Phase-In (Nov 2019 implementation - Nov 2022 Review) While the CLHIA agrees with the direction of the IAIS to utilize aspects of the EBA and ABA approaches and cross-sectoral analyses, we respectfully suggest, with experience gained in the monitoring period, the IAIS be able to demonstrate as part of the 2022 review, why the contemplated policy measures, with the extent of their proposed application, are necessary. This would ideally include providing/ensuring: 1. More insights into how transmission channels specifically could propagate key insurance activities into material actual impairment to the financial system and real economy. 2. A better understanding of why the particular measure would successfully mitigate propagation, in the context of appropriate application of the proportionality principle and materiality considerations. 3. A materiality impact ranking of exposures and their corresponding transmission channels. 4. An understanding of how the particular measure has a meaningful marginal incremental benefit (given all the other measures remain in place). 5. Policy measures appropriately reflect the differences in business models between insurers and other financial institutions, notably recognition that the insurance sector has a substantially lower potential to contribute to systemic risk

			than banks. 6. Effective integration of micro-prudential and macro-prudential requirement and global monitoring requirements, including avoiding, effectively, duplication and unintended consequences. 7. Materiality thresholds are suitable. 8. Efficacy of data requirements. 9. More clarity on definitions, even for "systemic risk", and details on technical specifications for policy measures. In relation to point #4 above, it would be useful to have a sense for how much extra decision useful information would be obtained from the full implementation of the current comprehensive suite of policy measures over less comprehensive policy measures. For example, the extra decision useful information obtained over: (i) Company ORSA analyses; and (ii) Cross-sectoral stress tests focused on the impacts of stresses on key exposures specifically linked to applicable transmission channels; and (iii) Macro-prudential assessments, of summaries provided by the national supervisors, of adherence to the applicable aspects of Insurance Core Principles. In relation to phasing-in, as one of many scenarios of examples, in the initial year(s), implement measures for only one of the "key exposures" in paragraph 29 and/or dispense with two (macro-prudential surveillance by supervisors and crisis management and planning) of the three policy measures for macro-prudential purposes. This would facilitate higher chances of success and "lessons learned" in expanding the scope of the framework in the ensuing years. The CLHIA also believes there is merit in conducting some degree of sort of feasibility assessment / field testing before launching.
525. Insurance Authority (IA)	China, Hong Kong	No	**Answer:** As the proposed approach to the global monitoring exercise will include annual data collection from individual insurers, it is suggested that the IAIS to provide more guidance on the approach and methodology so that supervisors can have a better understanding on how to support this exercise and to obtain appropriate data from the insurers across jurisdictions in a consistent manner.
526. Insurance Europe	Europe	No	**Answer:** The IAIS has still not clearly articulated how the data collection process will work - for example, it is not clear what kind of data will be collected, with what level of granularity, and how exactly the data will be used (i.e. at a firm level or on a more general market basis).

			With respect to the "global monitoring of individual insurer´s systemic importance", Insurance Europe generally welcomes the changes made to the indicators. However, the data used should more explicitly measure the degree to which individual insurers are pursuing systemically risky activities. Supervisory intervention powers should apply only when individual insurers engage in systemically risky activity to the extent that they can initiate a "domino effect". This is only the case when the activity is concentrated in a single/few insurers and the insurer(s) are engaging in this activity on a very large scale. Such situations are rare.
527. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** BaFin supports the general direction of the global monitoring. It is important to maintain the current annual G-SII data collection as part of the monitoring exercise with a similar population of participants also in the future. With respect to the sector-wide data collection, BaFin agrees with the general notion of using data that is already available at different supervisors, even if this would lead to not perfectly comparable data across jurisdictions (assuming there would be a minimum convergence to allow for comparisons and trend analysis). However, if necessary additional data collections in some markets may be required and should be conducted to ensure a proper reflection of potential systemic risks. Hence the costs of these monitoring exercises have to stay within reasonable limits. The setup of monitoring exercises have to take into account the effort which will be necessary to gather the information. The term "collective discussion" stays vague at this point, therefore BaFin supports adding more clarity to this process to give more transparency to the overall process. This however, can be pursued when further refining the framework over the course of 2019 and thereafter.
528. Global Federation of Insurance Associations	Global	No	**Answer:** The IAIS has still not clearly articulated how the data collection process will work - for example, it is not clear what kind of data will be collected, with what level of granularity, and how exactly the data will be used (i.e. at a firm level or on a more general market basis). With respect to the "global monitoring of individual insurer's systemic importance", GFIA generally welcomes the changes made to the indicators. However, the data used should more explicitly measure the degree to which individual insurers are pursuing systemically risky activities. Supervisory intervention powers should apply only when individual insurers engage in systemically risky activity to the extent that they can initiate a "domino effect". This is only the case when the activity is concentrated in a single/few insurers and the insurer(s) are engaging in this activity on a very large scale. Such situations are rare. Finally, the fact that a small number of insurance groups may have relatively significant holdings of one or more asset/liability classes should not be of concern absent a clear showing of systemic risk through an appropriately identified transmission mechanism.

529. Institute of International Finance	Global	No	**Answer:** The consideration of the cross-sectoral aspects of systemic risk (e.g. Paragraphs 152 and 153) is intended to compare the potential systemic risk of insurers with other parts of the financial system, notably the banking sector. However, the discussion of the cross-sectoral dimension needs to acknowledge that insurers are considerably less systemic than banking organizations and are more likely to be affected by in-bound systemic risk from other parts of the financial services sector than to be the source of financial stability concerns. Even where activities of insurers can potentially give rise to systemic risk concerns, the level of those activities in the insurance sector often pales in comparison to the conduct of those activities in other sectors. The discussion of the cross-sectoral aspects of systemic risk is an important discussion that should be further elaborated with respect to the relative contributions of the sectors to potential systemic risk. Any assessment of insurance systemic risk needs to be based on the materiality of the exposures or activities that have potential systemic risk impacts on the global financial markets or the real economy and on a comparison of the level of the activity or exposure in the insurance sector to the activity or exposure across the market including, where appropriate, the entire financial services market (e.g. including banking organizations and asset managers). The exclusion of banking data proposed in Paragraph 153 would not allow for such a comparison. The suggestion to use only insurance data would not reflect global financial activity and could result in distorted and potentially less meaningful results, especially considering the much larger size of the banking sample and the relative contributions of banks and insurers to systemic risk. The IAIS' plans for data collection need to be better articulated as to what data would be collected and from whom (firms or regulators), the level of data granularity and, importantly, the dissemination and use of the data in light of confidentiality concerns and the need to protect proprietary information. Any data collection exercise should be well coordinated in order to avoid unnecessary or duplicative data requests and take into consideration the cumulative impact of jurisdictional, regional and global data collection and monitoring exercises. The IAIS should clarify which template would be used for data collection. Paragraph 19 references the 2016 G-SII data collection template but changes have been made to that template to increase the scope and granularity of the data collection exercise. More broadly, the recommendations for data collection need to be better aligned with the sources and transmission channels of systemic risk and based on plausible thresholds for potential emerging systemic risk concerns. We acknowledge that the IAIS is proposing some appropriate changes to the indicators and weighting in Section 4.1.1. of the Holistic Framework but we believe that the indicators, even as revised, continue to represent to a large extent a proxy for size and continue to be based on a Basel Committee construct that does not reflect well the business model and risks of an insurer. While we welcome the effort to develop a cross-sectoral view of the potential sources of systemic risk, the interest in cross-sectoral consistency needs to be balanced carefully with the importance of ensuring that the framework is suitable for the insurance business model. The indicators are also closely tied to specific products, such as

			derivatives and securities financing transactions, which may be relevant at a particular point in time but may lose relevance as products and markets change. We believe that a focus on risk exposures, rather than particular products, may be more relevant and adaptable over time. The IAIS should reconsider its proposed retention of a scoring approach in connection with the indicators. In our view, a scoring approach is unnecessary in light of the suspension of designations of potentially systemically risky insurance groups. Moreover, a scoring approach does not take into consideration the materiality and risk management of the activities and exposures, both of which are critical considerations in determining whether the insurer poses the potential for systemic risk propagation to the global financial system or real economy. If a scoring approach is retained, the mechanics of the scoring calculation (Paragraph 150) should be based on absolute values reflective of the global financial markets and consistent with the methodology for specific indicators in the 2016 G-SII data collection. The aggregation of data under a macroprudential framework, which may be appropriate for a relatively homogeneous banking industry, is less meaningful for insurers with very different product mixes, business models and asset and liability profiles and different approaches to and tools for risk management. The aggregation of insurance data risks creating inaccuracies in and misunderstanding of the data as a result of differences across companies. This has been demonstrated in the information collections for the G-SII designation process with respect to data on derivatives trading. (See Paragraph 47 of the 2016 Updated G-SII Assessment Methodology.) We urge the IAIS to limit the aggregation of data to circumstances where there is a clear demonstration that the aggregation of specific data points would advance specific supervisory interests and would not lead to inaccuracies or misunderstanding of the data as a result of differences across companies. The authority of the national or group-wide supervisor should not be impaired by the collective discussion of the results generated by individual insurers as part of a global monitoring exercise (see Paragraphs 134 and 173). Consideration of an appropriate supervisory response should be the responsibility of the national or group-wide supervisor, not a collective decision of IAIS members. We encourage an emphasis on jurisdictional or supervisory college exercises, the high-level results and global implications of which could be discussed by IAIS members, subject to confidentiality and the protection of proprietary information. The IAIS should focus its monitoring efforts on carefully aggregated insurance data and should also consider aggregated data from other financial services sectors in order to develop a robust cross-sectoral perspective. The IAIS should focus on the global (as opposed to local) implications for systemic risk and financial stability, consider the materiality of those risks and threats to financial stability, and recognize that risks and threats within an insurer or among insurers in a particular jurisdiction do not necessarily pose risks and threats to other insurers, to the global financial system or to the real economy. We agree with the proposal in Paragraph 145 to drop the non-policy holder liabilities, non-insurance revenues and

			turnover indicators and to combine and rescale the short-term funding and liability liquidity indicators. This change should allow the IAIS to focus on the indicators that are most meaningful in light of the business model and activities of the insurance sector, rather than to focus on consistency with the Basel Committee or other international standard setters. For insurers conducting a banking business, the assessment of the systemic nature of the banking-insurance group could be conducted under separate evaluations of the banking and insurance businesses using the Basel Committee and IAIS methodologies, respectively, which then could be reviewed jointly by the two standard-setting bodies. The proposal in Paragraph 145 to exclude securities financing transactions (SFTs) from the short-term finance measure only when the reuse or re-hypothecation of collateral is explicitly contractually prohibited would lead to the inappropriate inclusion of SFTs where the actual practice is not to reuse or re-hypothecate collateral. We propose to reword this Paragraph to exclude SFTs when either the contract prohibits collateral re-use or re-hypothecation or the insurer's actual practice is not to re-use or re-hypothecate collateral. The proposed continued inclusion of Level 3 assets (Paragraph 145) is inappropriate in the context of insurers' asset liability management and liquidity management practices and in light of the duration of the liabilities that Level 3 assets are held to match. The absolute value of Level 3 assets is not a meaningful indicator of asset liquidation risk, absent an analysis of the liabilities they match. Where Level 3 assets are held to match illiquid liabilities, there is no material liquidity risk. Moreover, use of this indicator could disincent long-term investments, which serve important societal purposes, as well as help insurers match long-term illiquid liabilities. We suggest that the IAIS eliminate this indicator. The inclusion of a derivatives indicator and short-term funding and liability liquidity indicator would effectively double count derivatives exposures and the methodology should be amended to eliminate this duplication. Moreover, the indicators do not reflect the situation in which other sources of liquidity may increase when markets move against a given position and, thus, the posting of variation margin or collateral would be less of a strain on liquidity. A net measure of impact or exposure would be much more meaningful. Moreover, these indicators should differentiate between activities in which insurers are end-users and activities where insurers are providers, and focus on the latter category. The Holistic Framework timeline (Paragraph 19) states that the IAIS will continue the annual global monitoring exercise, including the disclosure, "to the extent relevant" of a Public Report, as described in the transparency paragraphs of the 2016 Updated G-SII Assessment Methodology. Paragraph 83 of the 2016 Updated G-SII Assessment Methodology provides for a public release of information following the annual publication by the FSB of a G-SII list, if any. We continued to be concerned about any release of information to the public as such publication could expose confidential and/or proprietary information. Moreover, the Holistic Framework fails to provide any details of the types of information that could form part of a public disclosure proposal and, therefore, stakeholders are unable to provide meaningful input

			at this point in time. If a public disclosure element is included in the Holistic Framework, more detail should be released for public consultation, including details about the types of information to be disclosed and the manner and timing of such disclosure.
530. International Actuarial Association	International	No	**Answer:** The IAA believes that while the concept of global data monitoring across the entire insurance sector is appealing, its application may be fraught with challenges such as: - the comparability of data which may be subject to varying financial reporting regimes - the comparability of financial products (both assets and liabilities) which may differ in their features across jurisdictions - clear determination of which global data markers will add sufficient value to GWS supervisory decisions to outweigh their collection costs. It will be important to develop a methodology and approach that defines clearly what data is required and why it is needed. This will enable supervisors to produce data on a broadly consistent basis. The IAA recommends that consideration be given to how this data collection will fit into current data collection efforts, with a goal to maximize efficiencies and leverage wherever possible current data collection efforts.
531. General Insurance Association of Japan	Japan	No	**Answer:** We agree to the global monitoring exercise, which is "building on the current G-SII data collection template and instructions", to detect macroprudential trends in the insurance sector. However, when the IAIS asks insurers to collect data, its usefulness should be considered cautiously in order to avoid imposing any unnecessary burden on insurers. Also, "The wider public on sector-wide trends" in paragraph 134 should not be done unless it is found to be indispensable after carefully considering its objective and necessity, because analysis is only based on limited data. In addition, when conducting global monitoring exercises, in order to avoid information leakage, attention should be paid to the security of any confidential data obtained that is related to insurers' competitiveness.
532. The Life Insurance Association of Japan	Japan	No	**Answer:** Appropriateness such as validity and robustness of each indicator is highly required to determine policy measures applying to outliers through the focus to the specific indicator in the assessment of collected data. Where the appropriateness of the indicators is not ensured, it might fundamentally mislead supervisory scope. In particular, we have a concern regarding the assessment of liquid liability. It is stated in paragraph 77, for example, that the supervisor should collect information on the surrender value however the liquidity of surrender value should be assessed in a holistic manner where due consideration is paid to broader aspects including the purpose of the insurance contracts, substantial economic penalties embedded in high guaranteed rate contracts, the feature of retail and non-retail and policyholder protection schemes and mechanisms. In addition, we have another concern.As described in paragraph 34, If insurers do not match liquid liabilities with

			sufficient liquid assets, it might have liquidity risk. However, if an insurance company holds sufficient liquid assets, it would not be a source of systemic risk. Therefore it should be evaluated taking into consideration the liquidity of the asset side. From this point of view, we disagree with the matrix ofTable5: combination of time restraints and economic penalties in Annex1.
533. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** As we note elsewhere in our comments, ACLI is generally supportive of the IAIS approach to identifying and mitigating systemic risk. However, we believe a great many questions remain and much work needs to be done to clarify and rationalize the material contained in the Consultation Paper. In our view, this is particularly the case with respect to the Global Monitoring Exercise. While data collection is of course important we caution against simply collecting data for the sake of collecting data. Any data collected should have a clear nexus to an identified regulatory goal. And we also strongly urge refraining from a focus on individual insurers. The fact is the life insurance industry contributes very little to the global risk factors (e.g., derivatives, leveraged lending, etc.) that have the attention of systemic regulators. Further, the fact that a small number of insurance groups may have relatively significant holdings of one or more asset/liability classes should not be of concern absent a clear showing of systemic risk through an appropriately identified transmission mechanism.
534. Swiss R e	Switzerland	No	**Answer:** The changes proposed by the IAIS to the former G-SII indicators (section 4.1 on "Global monitoring of individual insurer´s systemic importance") are pragmatic and acceptable in the interim. In our response to Q38-50, we provide additional thoughts on the indicator approach. We especially support the move to an absolute approach, as defined and documented in para. 150. In addition, the approach should account for cross-sectoral contributions, beyond the proposed analysis outlined in para. 152. The indicator denominators should include figures for the entire financial sector wherever possible, assessing individual firm contributions to the financial market, beyond insurance. By the next review period, ideally sooner, we would expect the IAIS to make more fundamental changes, as outlined below. Considering the objectives pursued by the IAIS with the systemic risk framework, a global monitoring exercise is necessary. That said, with a view to efficiency and effectiveness for all parties involved (IAIS, supervisors and insurers), we are not convinced that "two components" to the global monitoring (i.e. individual and sector-wide as per para. 134) are needed, if indeed the intention is for the two components to result in two separate data calls. Rather, we would urge the IAIS to institutionalize a global process for a single data call, by which all the necessary data is sourced from the involved insurers to the group supervisors and then to the IAIS. This requires that supervisors in the jurisdictions align their existing data calls to the global one. Overall, the data collected should create transparency over the insurers´ level of engagement in systemically-risky activities, and it should not include more data than is necessary to achieve the objectives. The data collection and monitoring should recognize that some activities are necessarily carried out on a global scale, in

			particular capital market activities. For these activities, a global, consolidated monitoring is required (as opposed to jurisdictional, unconsolidated). The monitoring should be coordinated by the IAIS to ensure international consistency, and in close cooperation and coordination with insurers´ group-wide supervisors. In addition, for such activities, a cross-sectoral approach is particularly desirable. Other activities are local; in particular, those associated with savings products. For these activities, local supervisors should take the lead in monitoring as well as in determining the extent to which mitigating measures should be applied in the specific jurisdiction. Where possible, supervisors should make use of existing, readily-available data. See our response to Q59 for additional thoughts on the data collection samples.
535. Aegon N V	The Netherlands	No	**Answer:** We can support continuation of the IAIS data collection for individual firms, but we believe that the cessation of G-SII identification can and should lead to the end of resources devoted to scoring and ranking individual firms.
536. Association of British Insurers	United Kingdom	No	**Answer:** The IAIS has still not clearly articulated how the data collection process will work - for example, it is not clear what kind of data will be collected, with what level of granularity, and how exactly the data will be used (i.e. at a firm level or on a more general market basis). It is not clear what public disclosures are proposed to be made prior to 2020. Paragraph 19 states that disclosure of results to the group-wide supervisor and insurers in the Insurer Pool is required; it also proposes firms disclose a Public Report. The footnote to this states that the IAIS is looking for disclosure of Phase II outcomes and Phase III analysis and outcomes; however, it also states that the IAIS will review this during 2019.
537. National Association of Mutual Insurance Companies	United States	No	**Answer:** In addition to the GFIA concerns, NAMIC does not support the IAIS conducting the global monitoring exercise if it involves collection of data from individual companies. Without any regulatory authority or status, the IAIS would put all data at risk of unintended public disclosure. NAMIC suggests that the CD and related ICPs clarify that any data will be provided by the jurisdictional supervisory authority that will make decisions about systemic activities for the jurisdiction.
538. RAA	United States and many other jurisdicitons	No	**Answer:** No. We do not support annual data collection from individual insurers on a global basis. Instead, the IAIS should leverage the reporting already required in each jurisdiction and then aggregate it to first assess the materiality for a specific issue or activity. As stated above, the NAIC Annual Statement reporting is both detailed and comprehensive and it would be unnecessary and costly for U.S. insurers to have to report the same information on a different basis to the IAIS.

539. Prudential Financial, Inc.	United States of America	No	**Answer:** As noted in our overarching comments, we believe a meaningful assessment of systemic risk at the global level would require regulators to perform a coordinated cross sectoral assessment of how a shock to global financial markets - which serve as the connective tissue of the financial services sector - could impact activities, risk exposures, transmission channels and, potentially, global financial stability. In carrying out such an exercise the FSB could obtain a comprehensive view of how shocks to the financial system, or components of it, could potentially spread and better understand underlying drivers. The parameters of such an exercise should be driven by the FSB, with execution carried out by jurisdictional financial service regulators as an additional element of their local stress testing regime. While such an exercise would require extensive collaboration and communication across standard setting organizations, regulators, and industry it would ultimately serve as a more meaningful exercise than the narrowly focused and siloed global approaches currently employed. While we believe the broad, cross sectoral exercise described above is the most meaningful and informative approach for assessing global systemic risk, we recognize it would take time to achieve. We also recognize the IAIS plays a valuable role in bringing insurance supervisors together to share perspectives on best practices, emerging risks, and other developments in insurance markets. While we agree the IAIS can play a meaningful role in facilitating the FSB's understanding of potential sources of global systemic risk we disagree with various elements of the proposed global monitoring exercise; below we identify specific elements we support and those we have concerns with: + We agree with the proposed approach of focusing on aggregate data from jurisdictional supervisors to support IAIS efforts to assess sector wide trends and that IAIS global monitoring should serve as a complement to jurisdictional efforts. + We agree that there is value in a feedback loop between local supervisory efforts and global level trends observed at the IAIS level. + We disagree with the IAIS' intention to continue to focus on risk at the individual insurer level and the collection of individual insurer data. As an overarching point, we do not believe individual insurers are systemic. In continuing this process the IAIS is effectively superseding the judgement of local supervisors and the GWS. In their report on aggregate data for their market, jurisdictional supervisors - with support from GWS' where warranted - can address developments at the individual insurer level. We believe a Holistic Framework that more broadly employs a jurisdictional bottom-up process will produce more meaningful insights into potential sources or risk, reduce costs on insurers, supervisors and consumers, and negate the need to maintain and expand the IAIS driven top-down approach.

			+ We believe the findings of the IAIS' internal Key Insurance Risks and Trends (KIRT) surveys should be shared with the public to provide transparency to the markets on areas of concern to the supervisory community.
540. AIG	USA	No	**Answer:** At this transitional stage from the current EBA to a more effective ABA, we view the IAIS recommendation to eventually dispense with designations of global systemically important insurers (G-SII) as a meaningful milestone. G-SII designations provided a crude stop-gap to addressing systemic risk after the financial crisis, but have in practice proven to be opaque, misleading, and diversionary, by allocating energy and focus on a handful of insurance groups without consideration of broader trends across the sector. We are, in turn, concerned about the proposed continuation of the scoring process underlying the G-SII designations. We recognize the importance of continued and enhanced information-gathering in performing macro-prudential surveillance. Additionally, the IAIS effort to align the G-SII indicators with corresponding data points from banks will help in demonstrating the considerably smaller relative potential for systemic risk within the insurance sector. That said, the G-SII scoring mechanism is based on unsubstantiated indicators, seemingly arbitrary weightings, and outcomes which in practice correlate with firm size - which, given the inherent diversification within the insurance business, is a faulty indicator of systemic importance. A more effective approach, in lieu of mechanistic scoring, would be to empower jurisdictional supervisors to assess companies that might warrant closer scrutiny because of concentrated exposure to the activities of potential systemic concern. In such an approach, supervisors with knowledge of local market conditions are able to consider mitigating factors that might assuage concerns about certain activities. The further development of supervisory and industry forums for dialogue on systemic topics, either through new or existing channels, will be core to productive surveillance. Rather than relying solely on the rote reporting of unhelpful and potentially misleading global data (such as the G-SII scoring mechanism), the focus should be on developing topical qualitative and quantitative assessment of issues that arise through such dialogue. As part of a regionally-driven oversight approach, we also see a role for jurisdictional authorities (e.g., FSOC in the US; ESRB in Europe) to periodically collect and evaluate data spanning all financial sectors, if done in a targeted, coherent, and adaptive manner. Cross-sectoral, jurisdictional data analysis could help to validate that insurers do not pose significant systemic risks, particularly when contrasted with the banking sector.
541. America n Property Ca sualty Insuran	USA	No	**Answer:** We are concerned with the nature of the "collective discussion" described in paragraph 134. While it is appropriate for IAIS members to convene to privately discuss industry/sector issues, it is concerning to imagine that being extended to discussing individual insurers outside of the confines of a supervisory college for which confidentiality and other protocols have been established under the purview of an authorized Group Wide Supervisor. Moreover, with

ce Association (APCIA)			the IAIS as the venue for such a discussion, it would seem to invite participation in the discussion members who, while in supervisory roles in their own jurisdiction, may not be an "involved supervisor" in the context of the insurer who is subject of the discussion. While such discussions have occurred at the IAIS with regard to the G-SII analysis and designation process and with ICS field testing, those were undertaken after appropriate and extensive discussions with industry representatives and the specific insurers involved and the crafting of work protocols including with respect to confidentiality. The holistic framework includes and EBA perspective as well and portends to extend similar discussions to involve a larger group of firms, including some/many who are not voluntarily providing data to the IAIS under any agreed-upon protocols. We believe that any sector-wide analyses at the IAIS that point to the possibility of systemic risks or activities at specific insurers be referred to the appropriate GWS for each such respective insurer. The GWS, working within the confines of the college and others involved supervisors, and considering the totality of other information available to them about the firm, would make their own independent assessment including the need for any supervisory response. We appreciate the recognition of "the costs of an extensive or ad-hoc data collections to the industry" and the commitment to "carefully assess costs and benefits of the global monitoring exercise". Indeed, the costs of such actions are quite high. We would like more information about the proposed cost/benefit analysis.
542. CNA	USA	No	**Answer:** We are concerned with the nature of the "collective discussion" described in paragraph 134. While it is appropriate for IAIS members to convene to privately discuss industry/sector issues, it is concerning to imagine that being extended to discussing individual insurers outside of the confines of a supervisory college for which confidentiality and other protocols have been established under the purview of an authorized Group Wide Supervisor. Moreover, with the IAIS as the venue for such a discussion, it would seem to invite participation in the discussion members who, while in supervisory roles in their own jurisdiction, may not be an "involved supervisor" in the context of the insurer who is subject of the discussion. While such discussions have occurred at the IAIS with regard to the GSII analysis and designation process and with ICS field testing, those were undertaken after appropriate and extensive discussions with industry representatives and the specific insurers involved and the crafting of work protocols including with respect to confidentiality. The holistic framework includes and EBA perspective as well and portends to extend similar discussions to involve a larger group of firms, including some/many who are not voluntarily providing data to the IAIS under any agreed-upon protocols. We believe that any sector-wide analyses at the IAIS that point to the possibility of systemic risks or activities at specific insurers be referred to the appropriate GWS for each such respective insurer. The GWS, working within the confines of the college and others involved supervisors, and considering the totality of other information available to them about the firm, would make their own independent assessment including the need for any supervisory response.

543. Liberty Mutual Insurance Group	USA	No	**Answer:** The Framework assigns the role of conducting "Global Monitoring" to the IAIS, potentially giving the IAIS actual supervisory functions and responsibility, notwithstanding that the IAIS has no legal authority to act in that capacity. The provision or delegation of such authority to a non-governmental standards setting entity would not be politically acceptable in most jurisdictions and is well beyond the IAIS's mandate. We agree that in this initial phase of study to determine what, if any, activities of insurers are systemically relevant, that the IAIS has an important role to play in consolidating data provided by local supervisors and in facilitating discussions among global regulators and the industry. However, it should be made clear that actual regulatory responses will be the responsibility of local supervisors, including the Group Wide Supervisor. Aside from the question of authority to conduct monitoring, the Framework contains no objective standards regarding what a local supervisor should or could do if it were told by the IAIS that a particular systemic risk is developing, since the IAIS has no power at all over the local supervisor, whose authority is a function of local law. We recognize that an Activities Based Approach may require the collection and evaluation of information related to identified activities. However, the assignment of all such functions and tasks contemplated in a "monitoring" role to the IAIS is not appropriate given much of it requires regulatory authority. The proposed role for the IAIS could be particularly problematic given the overly broad scope of the activities the Framework currently considers to be systemic. Furthermore, this extraordinary assignment of monitoring or surveillance functions to the IAIS is not called for in light of the modest risk that the insurance sector presents or transmits systemic risk. The IAIS should adhere to the principle of proportionality with respect to the need for data collection and monitoring. One possible approach would be for the IAIS to consolidate activities-related information (based on a more appropriate scope of systemic activities, as discussed elsewhere in our comments) that is collected by individual supervisors and to share that consolidated information with other supervisors. The public disclosure of collected information would be limited, however, to aggregate data only (not company specific). Public reports by the IAIS would be limited to trending activities in the marketplace. All company specific data would be secured and shared with the insurer's GWS and involved regulators only (i.e., supervisory college participants). All regulatory actions/functions/interpretations by those regulators would also be confidential, unless public disclosure were required under local law. The IAIS would administer this data collection and dissemination process much like it has the data collection process used today in conjunction with IAIGs

			and the G-SII Project, but all regulatory functions including any decision-making authority to implement a policy measure or take any other action in response to that information would be exclusively that of the local supervisors.
544. Northwestern Mutual	USA	No	**Answer:** Partially. We continue to believe that the IAIS should work with the FSB and other sectoral authorities to develop a truly cross-sectoral approach to monitoring for high level trends that could point to increasing systemic risk. We have previously suggested that such an approach would start by identifying widely recognized indicators of potential for systemic risk (e.g., increasing leverage, decreasing liquidity, increasing asset and liability concentrations, and decreasing capital strength), would identify benchmark levels for these indicators based on periods of financial stability, and would monitor these indicators on an ongoing basis for changes that may indicate increasing systemic risk. Such developments would be investigated by the appropriate sectoral regulators to determine if an industry activity is the cause. This cross-sectoral approach would have several benefits. First, it would avoid the potential for gaps that would result from a narrow focus on the insurance sector. Second, by viewing individual sectors' contributions to systemic risk in the context of the broader financial system, it would allow regulatory and industry resources to be dedicated to the areas of the financial sector with the greatest potential benefit from a systemic risk perspective, recognizing that insurer contributions to systemic risk are generally small relative to the financial sector as a whole. Third, by monitoring time-tested high-level indicators, it would avoid an undue focus on specific attributes of prior crises, recognizing that the next financial crisis is likely to be different.
545. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** Outside of the IAIG process, the IAIS should facilitate discussions amongst supervisors regarding areas/risks of concern, and jurisdictions should respond to those as needed (e.g., industry-wide data responses at first to assess the level of materiality for an item in that jurisdiction, with perhaps follow up detailed data if the level of activity is higher in the jurisdiction). The IAIS should obtain its data about those risks from the jurisdiction, and the level of detail of that data should be dependent on the materiality of the risk/activity in question within the jurisdiction.
Q36 Should the IAIS consider changing the identification process and criteria for the selection of insurers for inclusion in the data assessment? Please elaborate.			
546. Insurance Europe	Europe	No	**Answer:** Many existing measures applicable to G-SIIs are being rolled out more widely to IAIGs and other groups and firms, as set out in Table 2 on page 41. The implications of a firms' score within the systemic risk assessment is not clear. If the IAIS intends to use a score-based method (as currently used for G-SIIs), then it needs to address concerns that the data indicators are still not linked clearly enough to the causes/transmission channels and put too much weight on size and global activity, which penalises large firms. If the intention is to

			intervene on an activity basis when certain activities are identified, it is not clear how this aligns with the indicators and designations.
547. Allianz	Germany	No	**Answer:** If the IAIS intends to introduce an activities-based approach, then the current indicators (in particular size, global activity and substitutability) which lead to an entity-based approach should be changed. Furthermore, the implications of a firms' score within the systemic risk assessment is not clear. If the IAIS intends to use a score-based method (as currently used for G-SIIs), then it needs to address concerns that the data indicators are still not linked clearly enough to the causes/transmission channels and put too much weight on size and global activity, which penalises large firms. If the intention is to intervene on an activity basis when certain activities are identified, it is not clear how this aligns with the indicators and designations.
548. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** BaFin supports the proposed shift to a more absolute calculation of scores since this will on the one hand add more clarity to the results towards the public and on the other hand will eliminate the dependency of one firm's score on another firm's score. However, BaFin advocates to build a good foundation for a threshold to identify firms that would demonstrate "a high level or trend of increasing potential global systemic impact". This also relates to the changed process: it is important to have a solid analysis of systemic risk posed by individual insurance groups, therefore maintaining elements of Phase 3 is important. However, to answer this question overall, it is necessary to wait for the overall global monitoring to be in place, since it is yet unclear what activities will be covered by the data collection on a market-wide level. Phase V seems to be continues in a different form and is a vital part of the process, i.e. the process should contain an element of communication to respective firms.
549. Global Federation of Insurance Associations	Global	No	**Answer:** Many existing measures applicable to G-SIIs are being rolled out more widely to IAIGs and other groups and firms, as set out in Table 2 on page 41. The implications of a firms' score within the systemic risk assessment is not clear. If the IAIS intends to use a score-based method (as currently used for G-SIIs), then it needs to address concerns that the data indicators are still not linked clearly enough to the causes/transmission channels and put too much weight on size and global activity, which penalises large firms. If the intention is to intervene on an activity basis when certain activities are identified, it is not clear how this aligns with the indicators and designations.
550. International Actuarial Association	International	No	**Answer:** The IAA suggests that the overall size of an organisation may not appropriately reflect their involvement in potentially systemic activities under the ABA. Therefore it may be more appropriate to develop a high-level screening process, where possible based on existing published data, to identify groups/firms who are most likely to be undertaking material systemic activities before requiring further granular data.

551. General Insurance Association of Japan	Japan	No	**Answer:** We support the IAIS's policy stated in paragraph 139: "At this stage, no change to the selection process for insurers to be included in the assessment exercise (the Insurer Pool) is suggested". Also, we understand that the selection process will not be changed compared to the current G-SIIs selection process in line with the quoted sentence, and we agree with the policy.
552. American Council of Life Insurers	Office of General Counsel	No	**Answer:** As noted elsewhere in our response we disagree with the retention of EBA related infrastructure in the Holistic Framework, including the collection of data from individual insurers. We respectfully request further clarification on the criteria to better assess its appropriateness.
553. Swiss Financial Market Supervisory Authority (FINMA)	Switzerland	No	**Answer:** At this stage of the project, with the holistic framework still being further refined, we do agree with the IAIS to continue to use the data pool definition and process as described in the 2016 G-SII methodology to allow for meaningful time series analysis. In a next review cycle after three years, changes could be further explored, provided that a complete and true move towards an absolute framework is simultaneously done.
554. Swiss Re	Switzerland	No	**Answer:** As background, note that, we do not support a continuation of the former G-SII assessment (see our response to Q35). However we consider the current proposal adequate, as a transitory solution until the next review period. The data call for the G-SII assessment should be replaced by a more appropriate data call by that time. Latest by the next review period, the IAIS ought to have in place a single, sector-wide data collection and monitoring approach. We suggest that the IAIS expands the sample group so as to be in a position to reliably capture herding behavior related to specific activities, instead of focusing solely on the largest international insurance groups. See also our response to Q59. We would like to point out that our proposed approach foresees the inclusion of insurers that are part of banking or other non-insurance groups.
555. Aegon NV	The Netherlands	No	**Answer:** In some markets, large domestic firms command a significant market share and may play a meaningful role in the transmission of systemic risk. We believe that the monitoring aspect of the holistic framework compels a more "holistic" data collection. Consequently we would support collecting data from any insurer that meets the IAIG size criterion (i.e. assets of more than USD 50 billion or premiums of more than USD 10 billion) regardless of international activity.
556. Association of British Insurers	United Kingdom	No	**Answer:** Many existing measures applicable to G-SIIs are being rolled out more widely to IAIGs and other groups and firms, as set out in Table 2 on page 41. The implications of a firms' score within the systemic risk assessment is not clear. If the IAIS intends to use a score-based method (as currently used for G-SIIs), then it needs to address concerns that the data indicators are still not linked clearly enough to the causes/transmission channels, and put too much weight on

			size and global activity, which overly penalises large firms. If the intention is to intervene on an activity basis when certain activities are identified, it is not clear how this aligns with the indicators and designations.
557. National Association of Mutual Insurance Companies	United States	No	**Answer:** No. See GFIA Response.
558. RAA	United States and many other jurisdicitons	No	**Answer:** Many existing measures applicable to G-SIIs are being rolled out more widely to IAIGs and other groups and firms, as set out in Table 2 on page 41. The implications of a firms' score within the systemic risk assessment is not clear. If the IAIS intends to use a score-based method (as currently used for G-SIIs), then it needs to address concerns that the data indicators are still not linked clearly enough to the causes/transmission channels and put too much weight on size and global activity, which penalizes large firms. If the intention is to intervene on an activity basis when certain activities are identified, it is not clear how this aligns with the indicators and designations.
559. Prudential Financial, Inc.	United States of America	No	**Answer:** As noted in our response to question 35, we do not believe individual insurers are systemic and believe the IAIS should discontinue the collection of data from individual insurers. Instead the IAIS should focus on leveraging aggregate information provided by jurisdictional supervisors/authorities (please refer to our response to question 35 for further information). With respect to the current criteria, there is a bias against size and global activity despite the IAIS' agreement that neither is indicative of potential systemic risk (e.g., the 5% weighting the IAIS applies for size and global activity, respectively). In addition to the broadly acknowledged diversification benefits that can accompany size we note that the use of "total assets" as a metric lacks a direct connection to the risks or transmission channels identified in the Holistic Framework. Further, conducting business in more than one jurisdiction does not increase global systemic risk and conversely, operating solely in a domestic market may not eliminate it.
560. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** We caution that, with these proposals, the IAIS appears to be crossing a line into a role that it more legitimately played by an insurer's group-wide supervisor.
561. CNA	USA	No	**Answer:** Although CNA is opposed to the expansion of systemic risk assessment to the entire insurance sector as discussed in our general comments (see response to question 1) we do not believe the criteria for the selection in the

			data assessment should be modified. We would like to highlight that by expanding the systemic data assessment to include at least high level information regarding the entire insurance sector and by the IAIS facilitating detailed discussion regarding systemic trends and highlighting the actions of specific insurers the IAIS appears to have crossed the line from international standard setter to a defacto international regulator without the necessary legislative checks and balances. Before crossing this line either intentionally or unintentionally we believe more robust public debate should occur at both the IAIS and at the local jurisdictional level.
562. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** As for the identification process, the NAIC supports the discontinuation of annual identification of G-SIIs. We support the proposal for Phase III to be amended to focus on broader trend analysis. The current selection criteria which limits the data collection to 50+ insurers seems appropriate.
Q37 How should these criteria compare to the criteria used to determine whether an insurance group is an IAIG? Please elaborate.			
563. Bundesa nstalt für Fina nzdienstleistu ngsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** BaFin does not see a clear rational for harmonising both criteria. The definition of the insurer pool was designed to capture groups that are big in nature and therefore have on their own the ability to create systemic consequences in case of a failure. To that end, the IAIS decided to require only a low international activity. Therefore also big groups with limited international activity can be part of the insurer pool. This is a prudent approach, since big, rather national groups can also potentially on their own impact the financial system. On the other end, the IAIS decided to require for truly international active a more significant level of international activity. This is justified since ComFrame adds more scrutiny on supervising those firms on a day to day basis. Finally, the proposed changes to ComFrame are not limited to IAIGs since the IAIS proposes to apply measures more broadly where a supervisors sees this as necessary. Therefore a full harmonisation of the criteria is not required.
564. Internati onal Actuarial Association	International	No	**Answer:** As outlined above in our answer to 36, all IAIGs should be considered in the initial high-level analysis. But, this should also be done in a manner that recognizes the limited liquidity risk exposures of insurers.
565. General Insurance As sociation of J apan	Japan	No	**Answer:** In terms of whether or not insurers to be included in the assessment exercise (the Insurer Pool) should be decided in the light of each object of policy, as data collection for regulations of systemic risk and that of IAIGs have different objectives, comparing these two criteria is meaningless. Developing criteria considering each objective is sufficient.

566. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Please see our response to question 36.
567. Swiss Fi nancial Marke t Supervisory Authority (FIN MA)	Switzerland	No	**Answer:** We consider the current revision an interim step towards a true absolute framework. Therefore, we see no urgency at this point to align the criteria of the two projects (ComFrame and Systemic Risk) as this could lead to unintended consequences or impacts on each other, given the slightly different purpose that these projects are aiming at. In conceptual terms, we think that independent of a firm´s nature, one needs to identify those insurers with material volumes of systemic risk-relevant activities, globally and/or domestically.
568. Swiss R e	Switzerland	No	**Answer:** Please refer to our answers to Q35 and Q59.
569. Aegon N V	The Netherlands	No	**Answer:** We would support two reforms: (1) aligning the size criterion between the data assessment and the IAIG definition, and (2) revising ComFrame to focus specifically elements that pertain to internationally active groups, with additional material in the ICPs. We have a longstanding concern that many aspects of ComFrame pertain to facets of supervision that are unrelated to the dynamics and interactions of an insurance groups. The scope of ComFrame seems to be based on a presumption that all IAIGs merit a significantly greater degree of supervision than all non-IAIGs. This presumption may not be unreasonable in some jurisdictions, but in others it may lead to a disproportionate allocation of supervisory resources, attention, and policy measures.
570. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** See GFIA Response.
571. Prudenti al Financial, I nc.	United States of America	No	**Answer:** We do not believe the criteria for qualifying as an IAIG is a relevant consideration for purposes of IAIS or jurisdictional efforts to assess and mitigate systemic risk. Rather, we believe supervisors should focus on the size of an insurer's engagement in a potentially systemic activity - not the size of the enterprise - and ensuring their sample covers an adequate portion of the market for the activity. An arbitrary cut-off point will lead to a cliff effect and unlevel playing field that will drive activities from insurers that are in scope to those that are not. Please see our response to question 36 for additional information on this topic.
572. National Association of Insurance Co	USA, NAIC	No	**Answer:** The criteria for firms that are included in G-SII Assessment Exercise have a higher threshold for size and a lower threshold for international activities than criteria for firms that are included as an IAIG. The NAIC agrees with keeping the criteria separate as the purpose is different. The G-SII Assessment Exercise allows for supervisors to add

mmissioners (NAIC)			firms by judgment, which is sufficient rather than being overly prescriptive in expanding the selection process for the ABA.
Q38 Are the proposed changes to the Intra-financial assets (IFA) and Intra-financial liabilities (IFL) indicators appropriate? Please explain.			
573. Insurance Europe	Europe	No	**Answer:** With reference to paragraph 150 of the consultation document, Insurance Europe would suggest working on the basis of absolute values reflective of the global financial markets (as it was the case in the 2016 G-SII methodology for specific indicators only), in conjunction with materiality thresholds that identify only those activities/exposures that might lead to systemic risk.
574. Allianz	Germany	No	**Answer:** For IFA, the indicator reflects gross exposure but does not account for risk mitigation factors such as credit quality or collateral and thus overstates the true exposure. For IFL, the inclusion of undrawn committed credit facilities seems inappropriate as it treats a theoretical exposure like an actual one and thus overstates the true exposure.
575. Global Federation of Insurance Associations	Global	No	**Answer:** GFIA has concerns applicable to all of the proposed changes to the indicators. As a threshold matter, GFIA is of the view that the indicators are poorly designed to assess systemic risk in the insurance sector. GFIA further takes the view that the desire to achieve consistency with banking methodologies is misplaced. Of greater importance is that indicators fail to provide a holistic view of systemic risk in the insurance sector. As just one example, illiquid assets do not contribute to systemic risk if these assets are backing illiquid liabilities. There also appears to be an over-concern with derivatives, and GFIA suspects that derivatives are "double counted" at least as applied to some entities. A fundamental re-assessment of the indicators is warranted; at a minimum, the indicators need to be refined and there should be a demonstrable link with a transmission mechanism that is relevant to systemic risk.
576. International Actuarial Association	International	No	**Answer:** There are many different types of reinsurance and reinsurance assets/ liabilities are not always the best indicator of tail risk - for example some forms of credit and catastrophe cover are binary by nature being low risk and hence have low amounts of assets associated with them but can require large amounts of additional resource in the event of a trigger event.
577. General Insurance Association of Japan	Japan	No	**Answer:** As the contents and potential effects of the proposed changes are still unclear, we can be neither for nor against it at this moment in time. Moreover, we understand the usefulness of the opportunity to be able to compare G-SIB with G-SII. However, the differences in how each legal structure works and the extent to which they impact the whole system, and the special characteristics of the insurance business, such as risk management and ALM, should be taken into consideration to avoid providing incorrect comparison information. In addition, we hope that assessment and verification will be exercised

			while the IAIS, supervisors, and insurers provide sufficient feedback to each other in terms of the actual implementation of the provision and the calculation of data.
578. American Council of Life Insurers	Office of General Counsel	No	**Answer:** ACLI has concerns applicable to all of the proposed changes to the indicators. As a threshold matter we believe the indicators are poorly designed to assess systemic risk in the insurance sector. We further believe the desire to achieve consistency with banking methodologies is misplaced. Of greater importance, in our view the indicators fail to provide a holistic view of systemic risk in the insurance sector. As just one example, illiquid assets do not contribute to systemic risk if these assets are backing illiquid liabilities. There also appears to be an over-concern with derivatives, and we suspect that derivatives are "double counted" at least as applied to some entities. ACLI believes a fundamental re-assessment of the indicators is warranted. At a minimum, the indicators need to be refined and there should be a demonstrable link with a transmission mechanism that is relevant to systemic risk.
579. Swiss Re	Switzerland	No	**Answer:** We welcome these changes, in particular the inclusion of reinsurance assets and liabilities in this indicator. We urge the IAIS to also include the absolute value indicator for reinsurance into IFA/IFL, otherwise reinsurance will be arbitrarily given a higher weighting. If the absolute value indicator for reinsurance is included, the proposed changes are appropriate for the interim. See our response to Q35 for further considerations about a definitive approach. Regarding potential future exposure of over-the-counter (OTC) derivatives with net positive/negative fair value, securities financing transactions with a net positive/negative current exposure and any deposits with unaffiliated financial counterparties, we believe it is reasonable for the IAIS to consider these contingent exposures. However, the IAIS should consider net not gross positions.
580. Aegon NV	The Netherlands	No	**Answer:** Although we agree that reinsurance ceded leads to interconnectedness, we are concerned that the scoring methodology can effectively create a disincentive to mitigate risk through reinsurance or hedging. Spreading of risk should be considered a virtuous activity.
581. National Association of Mutual Insurance Companies	United States	No	**Answer:** No. See GFIA Response.
Q39 Are the proposed changes to the Derivatives indicator appropriate? Please explain.			

582. Manulife Financial	Canada	No	**Answer:** The proposed indicator should also include centrally cleared derivatives. Centrally cleared derivatives typically require daily cash variation margin settlement, and thus insurers have to raise cash, either by selling assets or tapping into other funding facilities, which could contribute to a systemic asset liquidation event.
583. Insurance Europe	Europe	No	**Answer:** It is not clear why derivatives are effectively double-counted through inclusion under intrafinancial assets (IFA) and intrafinancial liabilities (IFL), and in a separate category in Table 3 on pages 45-46. The separate derivatives category under the counterparty exposure indicators should be removed to avoid duplication, given that OTC derivatives will be centrally cleared and reflected in the other indicators. The framework also seems confused when mapping the areas where derivatives are marked as causing exposure on to the indicators. Situations where these risks could arise should be considered more widely.
584. Allianz	Germany	No	**Answer:** Derivatives seem to be double counted, as they are also included in IFA and IFL.
585. Global Federation of Insurance Associations	Global	No	**Answer:** It is not clear why derivatives are effectively double-counted through inclusion under intrafinancial assets (IFA) and intrafinancial liabilities (IFL), and in a separate category in Table 3 on pages 45-46. The separate derivatives category under the counterparty exposure indicators should be removed to avoid duplication, given that OTC derivatives will be centrally cleared and reflected in the other indicators. The framework also seems confused when mapping the areas where derivatives are marked as causing exposure on to the indicators. Situations where these risks could arise should be considered more widely.
586. General Insurance Association of Japan	Japan	No	**Answer:** As the contents and potential effects of the proposed changes are still unclear, we can be neither for nor against it at this moment in time. Moreover, we understand the usefulness of the opportunity to be able to compare G-SIB with G-SII. However, the differences in how each legal structure works and the extent to which they impact the whole system, and the special characteristics of the insurance business, such as risk management and ALM, should be taken into consideration to avoid providing incorrect comparison information. In addition, we hope that assessment and verification will be exercised while the IAIS, supervisors, and insurers provide sufficient feedback to each other in terms of the actual implementation of the provision and the calculation of data.
587. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Please refer to our response to question 38.
588. Swiss Re	Switzerland	No	**Answer:** We welcome these changes and consider them appropriate for the interim. See our response to Q35 for further considerations about a definitive approach.

589. Aegon N V	The Netherlands	No	**Answer:** It appears that this question is repeated in question 41. We believe that an exclusive focus on OTC derivatives overshoots the mark. We can understand some degree of increased focus on OTC derivatives relative to centrally cleared derivatives, we do not believe that central clearing cures all potential systemic risk concerns. We are also concerned about disparate market impacts.
590. Association of British Insurers	United Kingdom	No	**Answer:** The framework appears confused when mapping the areas where derivatives are marked as causing exposure on to the indicators. Situations where these risks could arise should be considered more widely. It is not clear why derivatives are effectively double-counted through inclusion under intrafinancial assets (IFA) and intrafinancial liabilities (IFL), and in a separate category in Table 3 on pages 45-46. The separate derivatives category under the counterparty exposure indicators should be removed to avoid duplication, given that OTC derivatives will be centrally cleared and reflected in the other indicators.
591. National Association of Mutual Insurance Companies	United States	No	**Answer:** No. See GFIA Response.
Q40 Are the proposed changes to the Level 3 assets indicator appropriate? Please explain.			
592. Manulife Financial	Canada	No	**Answer:** No, Tier 3 assets when used to back long term illiquid liabilities are typically held through the market cycle, and as a result would not normally pose a systemic asset liquidation risk.
593. Insurance Europe	Europe	No	**Answer:** Level 3 assets need to be considered in the context of insurers' ALM and liquidity management, specifically the duration of the liabilities that Level 3 assets are held to match. Measuring the absolute value of Level 3 assets alone is a meaningless indicator of asset liquidation risk. For example, where Level 3 assets are held to match illiquid liabilities, there is no liquidity risk (i.e. they cannot be subject to the risk of fire sale). Insurance Europe therefore suggests that the indicator should be deleted if a meaningful way to consider Level 3 assets in the context of ALM and liquidity management is not found. Alternatively, the indicator could be supplemented with ancillary information so that a meaningful assessment can be made. The IAIS should also be mindful of insurers' natural role as long-term investors and not disincentivise

			them (through inappropriate measures) from investing in Level 3 assets such as infrastructure, which are important to the global economy, and a good match for long term illiquid liabilities.
594. Allianz	Germany	No	**Answer:** Level 3 assets need to be considered in the context of insurers' ALM and liquidity management, specifically the duration of the liabilities that Level 3 assets are held to match. Measuring the absolute value of Level 3 assets alone is a meaningless indicator of asset liquidation risk. For example, where Level 3 assets are held to match illiquid liabilities, there is no liquidity risk (i.e. they cannot be subject to the risk of fire sale). The IAIS should be mindful of insurers' natural role as long-term investors and not dis-incentivize them from investing in Level 3 assets such as infrastructure, which are important to the global economy, and a good match for long term illiquid liabilities.
595. Global F ederation of I nsurance Ass ociations	Global	No	**Answer:** Level 3 assets need to be considered in the context of insurers' ALM and liquidity management, specifically the duration of the liabilities that Level 3 assets are held to match. Measuring the absolute value of Level 3 assets alone is a meaningless indicator of asset liquidation risk. For example, where Level 3 assets are held to match illiquid liabilities, there is no liquidity risk (i.e. they cannot be subject to the risk of fire sale). GFIA therefore suggests that the indicator should be deleted if a meaningful way to consider Level 3 assets in the context of ALM and liquidity management is not found. Alternatively, the indicator could be supplemented with ancillary information so that a meaningful assessment can be made. The IAIS should also be mindful of insurers' natural role as long-term investors and not disincentivise them (through inappropriate measures) from investing in Level 3 assets such as infrastructure, which are important to the global economy, and a good match for long term illiquid liabilities.
596. General Insurance As sociation of J apan	Japan	No	**Answer:** As the contents and potential effects of the proposed changes are still unclear, we can be neither for nor against it at this moment in time. Moreover, we understand the usefulness of the opportunity to be able to compare G-SIB with G-SII. However, the differences in how each legal structure works and the extent to which they impact the whole system, and the special characteristics of the insurance business, such as risk management and ALM, should be taken into consideration to avoid providing incorrect comparison information. In addition, we hope that assessment and verification will be exercised while the IAIS, supervisors, and insurers provide sufficient feedback to each other in terms of the actual implementation of the provision and the calculation of data.
597. The Life Insurance As sociation of J apan	Japan	No	**Answer:** Measuring outstanding of Level 3 assets is not appropriately reflected asset liquidation risk. There is no material risk, for example, where insurers hold Level 3 assets matching illiquid liabilities. Therefore, we suggest deleting the indicator.

598. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Please refer to our response to question 38.
599. Swiss R e	Switzerland	No	**Answer:** We welcome these changes and consider them appropriate for the interim. See our response to Q35 for further considerations about a definitive approach.
600. Aegon N V	The Netherlands	No	**Answer:** While we can support the proposed change in isolation, the framework continues to be flawed by taking a non-holistic view of liquidity risk (i.e. illiquid assets and liquid liabilities are separately assessed).
601. Associati on of British I nsurers	United Kingdom	No	**Answer:** Level 3 assets need to be considered in the context of insurers' ALM and liquidity management, specifically the duration of the liabilities that Level 3 assets are held to match. Measuring the absolute value of Level 3 assets alone is a meaningless indicator of asset liquidation risk. For example, where Level 3 assets are held to match illiquid liabilities, there is no liquidity risk (i.e. they cannot be subject to the risk of fire sale). If a meaningful way of considering Level 3 assets in the context of ALM and liquidity management cannot be introduced, we recommend that this indicator is deleted, or at least supplemented with ancillary information so that a meaningful assessment can be made. IAIS should also have regard to insurers' natural role as long term investors, and not disincentivise them (through inappropriate measures) from investing in Level 3 assets such as infrastructure, which are important to the global economy, and a good match for long term illiquid liabilities.
602. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** No. See GFIA Response.
Q41 Are the proposed changes to the Derivatives indicator appropriate? Please explain.			
603. Allianz	Germany	No	**Answer:** For insurers, the investments in derivatives are almost always seen in combination with the underlying basis instrument or risk. Insofar, derivatives significantly contribute to a reduction of risks, e.g. by hedging of investment and liability risks.
604. General Insurance As	Japan	No	**Answer:** As the contents and potential effects of the proposed changes are still unclear, we can be neither for nor against it at this moment in time. Moreover, we understand the usefulness of the opportunity to be able to compare G-

sociation of Japan			SIB with G-SII. However, the differences in how each legal structure works and the extent to which they impact the whole system, and the special characteristics of the insurance business, such as risk management and ALM, should be taken into consideration to avoid providing incorrect comparison information. In addition, we hope that assessment and verification will be exercised while the IAIS, supervisors, and insurers provide sufficient feedback to each other in terms of the actual implementation of the provision and the calculation of data.
605. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Please refer to our response to question 38.
606. Swiss Re	Switzerland	No	**Answer:** We welcome these changes and consider them appropriate for the interim. See our response to Q35 for further considerations about a definitive approach.
607. Aegon NV	The Netherlands	No	**Answer:** It appears that this question is repeated in question 39. We believe that an exclusive focus on OTC derivatives overshoots the mark. We can understand some degree of increased focus on OTC derivatives relative to centrally cleared derivatives, we do not believe that central clearing cures all potential systemic risk concerns. We are also concerned about disparate market impacts.
608. Prudential Financial, Inc.	United States of America	No	**Answer:** Note, this question is a repeat of question 39.
Q42 Are the proposed changes to the Short term funding (STF) and Liability Liquidity (LL) indicator appropriate? Please explain.			
609. Manulife Financial	Canada	No	**Answer:** It is important to distinguish cash requirement vs. security collateral where the former has a much higher liquidity risk for the insurance company than posting of security collateral.
610. Insurance Europe	Europe	No	**Answer:** Insurance Europe agrees that the potential risk from securities lending transactions stems from collateral reinvestment. But the proposal to exclude only securities finance transactions where collateral reuse is contractually explicitly prohibited is too restrictive and would lead to inappropriate inclusion of securities finance transactions where there is no collateral reuse and no potential systemic risk. Insurance Europe suggests that this measure is further refined to exclude all SFTs where collateral is held and not reinvested. The changes in Table 3 on pages 45-46 propose considering potential future exposures in case markets move against derivative positions. However, this is heavily dependent on which direction the movement goes - if the position is such that other sources of liquidity would increase when a firm needs to post

			collateral, that is unlikely to be a problem. Conversely, if the position is such that collateral is needed when other liquidity sources are diminishing, that would be more problematic. Paragraph 37 also mentions that not hedging could increase risk; however, this is not referenced later on when the indicators are considered.
611. Allianz	Germany	No	**Answer:** Allianz agrees that the potential risk from securities lending transactions stems from collateral reinvestment. But the proposal to exclude only securities finance transactions where collateral reuse is contractually explicitly prohibited is too restrictive and would lead to inappropriate inclusion of securities finance transactions where there is no collateral reuse and no potential systemic risk. Allianz suggests that this measure is further refined to exclude all SFTs where collateral is held and not reinvested.
612. Global F ederation of I nsurance Ass ociations	Global	No	**Answer:** GFIA agrees that the potential risk from securities lending transactions stems from collateral reinvestment. But the proposal to exclude only securities finance transactions where collateral reuse is contractually explicitly prohibited is too restrictive and would lead to inappropriate inclusion of securities finance transactions where there is no collateral reuse and no potential systemic risk. GFIA suggests that this measure is further refined to exclude all SFTs where collateral is held and not reinvested. The changes in Table 3 on pages 45-46 propose considering potential future exposures in case markets move against derivative positions. However, this is heavily dependent on which direction the movement goes - if the position is such that other sources of liquidity would increase when a firm needs to post collateral, that is unlikely to be a problem. Conversely, if the position is such that collateral is needed when other liquidity sources are diminishing, that would be more problematic. Paragraph 37 also mentions that not hedging could increase risk; however, this is not referenced later on when the indicators are considered.
613. General Insurance As sociation of J apan	Japan	No	**Answer:** As the contents and potential effects of the proposed changes are still unclear, we can be neither for nor against it at this moment in time. Moreover, we understand the usefulness of the opportunity to be able to compare G-SIB with G-SII. However, the differences in how each legal structure works and the extent to which they impact the whole system, and the special characteristics of the insurance business, such as risk management and ALM, should be taken into consideration to avoid providing incorrect comparison information. In addition, we hope that assessment and verification will be exercised while the IAIS, supervisors, and insurers provide sufficient feedback to each other in terms of the actual implementation of the provision and the calculation of data.
614. The Life Insurance As	Japan	No	**Answer:** The LIAJ agrees to exclude from the STF the securities collaterals whose re-hypothecation or reuse is contractually explicitly prohibited. When an insurer does not reinvest or reuse collateral received in securities lending, the insurer is capable of returning posted collaterals swiftly if its counterparty runs to recover those collaterals and will

sociation of Japan			not be forced to sell less liquid assets, and therefore such situation should not be considered as a source of systemic risk as well. In addition, in paragraph 34 "Securities lending transactions," it is stated that if the collateral is reinvested in illiquid assets, securities lending transaction might be considered a factor of systemic risk. However, it is inconsistent between paragraph 34 and Table 3 since the STF indicator in Table3 is not measured how much collateral is reinvested in illiquid assets out of total reinvestments. Therefore, Table3 should be amended that the measurement procedure on the STF indicator is consistent with the statement of paragraph 34.
615. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Please refer to our response to question 38.
616. Swiss Re	Switzerland	No	**Answer:** Given that the potential risk from securities lending transactions stems from collateral reinvestment, we support the proposal to exclude securities financing transactions where collateral reuse is contractually explicitly prohibited.
617. Association of British Insurers	United Kingdom	No	**Answer:** On short-term funding, the ABI sees as positive the recognition in Paragraph 34 that the potential risk from securities lending transactions stems from collateral reinvestment. However, the proposal to exclude only securities finance transactions where collateral reuse is contractually explicitly prohibited is too restrictive, and would lead to inappropriate inclusion of securities finance transactions where there is no collateral reuse and no potential systemic risk. We therefore recommend that this measure is further refined to exclude all securities finance transactions where collateral is held and not reinvested, and not just those where this is a contractual provision. The changes in Table 3 on pages 45-46 propose considering potential future exposures should markets move against derivative positions. However, this is heavily dependent on which direction the movement goes - if the position is such that other sources of liquidity would increase when a firm needs to post collateral, that is unlikely to be a problem. Conversely, if the position is such that collateral is needed when other liquidity sources are reducing, that would be more problematic. Paragraph 37 also mentions that not hedging could increase risk; however, this is not referenced later on when the indicators are considered.
618. National Association of Mutual Insurance Companies	United States	No	**Answer:** No. See GFIA Response.

619. AIG	USA	No	**Answer:** The proposed STF and LL indicators are factor-based and are overly crude as a one-size-fits-all proposal. AIG recommends a cash flow-oriented approach that is scenario-based and considers a practical range of liquidity resources, such as secured borrowing facilities (e.g. FHLB in the US).
Q43 Is the proposal to drop the Non-policy holder liabilities and non-insurance revenues and Turnover indicators appropriate? Please explain.			
620. Allianz	Germany	No	**Answer:** We welcome the discontinuation of the non-policyholder liabilities and non-insurance revenues indicators. As we have previously noted, the indicator was not meaningful as it effectively double-counted certain items and was adding a balance sheet item (non-policyholder liabilities) with a profit and loss item (non-insurance revenues).
621. General Insurance As sociation of J apan	Japan	No	**Answer:** As the contents and potential effects of the proposed changes are still unclear, we can be neither for nor against it at this moment in time. Moreover, we understand the usefulness of the opportunity to be able to compare G-SIB with G-SII. However, the differences in how each legal structure works and the extent to which they impact the whole system, and the special characteristics of the insurance business, such as risk management and ALM, should be taken into consideration to avoid providing incorrect comparison information. In addition, we hope that assessment and verification will be exercised while the IAIS, supervisors, and insurers provide sufficient feedback to each other in terms of the actual implementation of the provision and the calculation of data. In addition, as for the proposed deletion, the continuation of data collection related to the indicators is proposed as follows, but it should be exercised only after clarifying that it is indispensable and useful. The IAIS will continue the annual global monitoring exercise, including: o the annual data collection from individual insurers based on the 2016 G-SII data collection template and instructions;
622. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Please refer to our response to question 38.
623. Swiss R e	Switzerland	No	**Answer:** The proposal is appropriate: These indicators are neither explicitly nor directly linked to any activities that are potential sources of systemic risk.
624. Aegon N V	The Netherlands	No	**Answer:** The proposal to remove the two indicators seems sensible but it does not address underlying concerns with the scoring methodology. Our main concern with dropping indicators is that the weighting of the remaining indicators increases. Some of these remaining indicators have a tenuous connection with systemic risk.
Q44 Are the suggested changes to the indicators appropriate in improving the consistency with the banking methodology? Please elaborate.			

625. Insurance Europe	Europe	No	**Answer:** Insurance Europe does not consider the suggested changes to be appropriate. The aim of any indicators should be to identify the potential for real systemic risk. The measurement of potential systemic risk should seek to identify the relevance of the level of potential systemic activity/exposure to the global financial system. Building a framework that seeks consistency between the insurance and banking methodologies should not be the goal, as this may introduce artificial biases in measures. For example, Paragraph 143 notes that systemic risk can differ significantly across sectors, and this can lead to different choices for specific weightings between indicators. Insurance Europe disagrees with the statement in Paragraph 146 that "it is not desirable to significantly change the underlying weighting scheme between the categories". Insurance Europe believes that the weighting scheme should be removed from the methodology and replaced with absolute values combined with a threshold for the level of activity/exposure that would lead it to be considered a material systemic risk. In principle, a cross-sectoral approach is the only appropriate way to measure and mitigate systemic risk and therefore a financial sector-wide monitoring would be more appropriate compared to a monitoring focusing on the insurance sector only.
626. Allianz	Germany	No	**Answer:** We disagree to align the designation methodology of systemically important banks and insurers. It does not reflect the fundamental differences between banks and insurers. Banks may have short-term liquidity needs. The insurance business model is a long-term matching of assets and liabilities. We therefore do not consider that comparing scores between banks and insurers' different methodologies, as noted in paragraph 153, would be an adequate approach. However, the relative size of insurers' activities/exposures to the global financial system in comparison to the banking sector's activities/exposures where the same activity is undertaken may be a useful guide to arriving at a threshold beyond which that activity/threshold may be regarded as potentially systemic. Further clarity would be helpful to identify which of the six indicators the IAIS has identified as being common between the two methodologies (paragraph 144).
627. Global Federation of Insurance Associations	Global	No	**Answer:** GFIA does not consider the suggested changes to be appropriate. The aim of any indicators should be to identify the potential for real systemic risk. The measurement of potential systemic risk should seek to identify the relevance of the level of potential systemic activity/exposure to the global financial system. Building a framework that seeks consistency between the insurance and banking methodologies should not be the goal, as this may introduce artificial biases in measures. For example, Paragraph 143 notes that systemic risk can differ significantly across sectors, and this can lead to different choices for specific weightings between indicators. GFIA disagrees with the statement in Paragraph 146 that "it is not desirable to significantly change the underlying weighting scheme between the categories". GFIA is of the view that the weighting scheme should be removed from the methodology and replaced with absolute values combined with a threshold for the level of activity/exposure that would lead it to be considered a material

			systemic risk. In principle, a cross-sectoral approach is the only appropriate way to measure and mitigate systemic risk and therefore a financial sector-wide monitoring would be more appropriate compared to a monitoring focusing on the insurance sector only.
628. General Insurance As sociation of J apan	Japan	No	**Answer:** Although we agree with the direction to measure and assess the same activities and risks regardless of the legal structure of the groups (bank or insurance), we cannot judge whether or not we support it because both the contents and consequential effects of the changes are unclear. Moreover, we understand the usefulness of the opportunity to be able to compare G-SIB with G-SII. However, the differences in how each legal structure works and the extent to which they impact the whole system, and the special characteristics of the insurance business, such as risk management and ALM, should be taken into consideration to avoid providing incorrect comparison information. In addition, we hope that assessment and verification will be exercised while the IAIS, supervisors, and insurers provide sufficient feedback to each other in terms of the actual implementation of the provision and the calculation of data.
629. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Please refer to our response to question 38.
630. Swiss R e	Switzerland	No	**Answer:** The proposed changes are appropriate in this regard. On this note, a financial-wide monitoring would be preferable, as opposed to a monitoring focusing on the insurance sector only. We understand that this is beyond the scope of the IAIS: The necessary coordination among standard-setting bodies will take time. However, we encourage the IAIS to pursue a cross-sectoral approach, in the mindset of the efforts started with BCBS (para. 142-145), as this is ultimately the only appropriate way to measure and mitigate systemic risk in the financial sector, in particular for capital-market activities, such as securities lending, to avoid the development of "shadow" activities by accounting for all parties and their interactions.
631. Associati on of British I nsurers	United Kingdom	No	**Answer:** The ABI does not consider the suggested changes to be appropriate. The aim of any indicators should be to identify the potential for real systemic risk. The measurement of potential systemic risk should seek to identify the relevance of the level of potential systemic activity/exposure to the global financial system. Building a framework that seeks consistency between the insurance and banking methodologies should not be the goal, as this may introduce artificial biases in measures. For example, Paragraph 143 notes that systemic risk can differ significantly across sectors, and this can lead to different choices for specific weightings between indicators. We disagree with the statement in Paragraph 146 that "it is not desirable to significantly change the underlying weighting scheme between the categories".

			We believe that the weighting scheme should be removed from the methodology, and replaced with absolute reference values that reflect the global financial system (not just aggregate insurance data) combined with a threshold for the level of activity/exposure that would lead it to be considered a material systemic risk to the global financial system.
632. National Association of Mutual Insurance Companies	United States	No	**Answer:** No. See GFIA Response.
633. RAA	United States and many other jurisdicitons	No	**Answer:** No. The intent should be to identify the potential for systemic risk to the real economy. The measurement of potential systemic risk should seek to identify the level of potential systemic activity/exposure to the global financial system. Building a framework that seeks consistency between the insurance and banking methodologies should not be the goal, as this may introduce artificial biases in measures. We have long advocated that the weighting scheme should be removed from the methodology and replaced with absolute reference values combined with a threshold for the level of activity/exposure that would lead it to be considered a material systemic risk.
634. Prudential Financial, Inc.	United States of America	No	**Answer:** As noted in our response to question 35 and 36, we do not believe individual insurers are systemic and do not believe the IAIS should continue to collect data from individual insurers. Instead, the IAIS should focus on leveraging aggregate information provided by jurisdictional supervisors/authorities. That said and to the extent the IAIS decides to continue the practice, we support ongoing work to improve the cross sectoral nature of the assessments. To the extent this includes the use of common exposures, it is critical that they be appropriately weighted and considered on an absolute basis to recognize inherent differences in scale between industries and systemic importance.
Q45 Are the suggested changes to the indicators appropriate in addressing the unintended consequences in the assessment of banking subsidiaries within the Insurance Pool? Please elaborate			
635. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Please refer to our response to question 38.
Q46 Are the proposed changes to the weighting scheme appropriate? Please explain.			
636. Allianz	Germany	No	**Answer:** In addition to proposing an ABA, which Allianz supports in principle, the IAIS proposes to retain the basic architecture of an entity-based approach (EBA), while suspending and potentially removing permanently the designation

			of individual insurance groups as systemically important. While we applaud the suspension of designations, this step alone does not address the many flaws of the EBA. The current indicators continue to overweight size and global activity, which runs counter to a true ABA, and penalize large firms that may have a relatively small systemic risk footprint. Therefore we suggest to discontinue the indicators and their weightings in the categories "size" and "global activity as well as "substitutability". We furthermore disagree with increasing the weight for the indicators intra-financial assets and intra-financial liabilities and derivatives. For insurance companies, the investments in derivatives are generally seen in combination with the underlying basis instrument or risk, not as a separate trading asset class. Furthermore, we encourage the IAIS to consider the asset-liability matching of insurers in this respect, which differs from the banking business model.
637. General Insurance Association of Japan	Japan	No	**Answer:** Substitutability should be eliminated from indicators (its weight allocation should be 0%). As we commented on Q1, we do not believe substitutability can be a source of systemic risk because expert underwriters can move to other insurers easily in highly competitive general insurance markets. In addition, substitutability is globally complemented by reinsurance.
638. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Please refer to our response to question 38.
639. Swiss Re	Switzerland	No	**Answer:** The changes to the weighting scheme are largely appropriate for the interim. See our response to Q35 for further considerations about a definitive approach.
640. Association of British Insurers	United Kingdom	No	**Answer:** Please see our answer to Question 44.
641. Prudential Financial, Inc.	United States of America	No	**Answer:** The proposed change to the weighting scheme and text within paragraphs 146 and 147 highlight the arbitrary and flawed nature of the individual data collection exercise, which inherently lacks risk sensitivity. We reiterate our view that the IAIS should focus on leveraging aggregate information provided by jurisdictional supervisors/authorities rather than perpetuate the individual insurer data collection exercise.
Q47 Do you agree with the move towards a more absolute approach to the assessment of systemic risk stemming from the failure or distress of individual insurers? Please elaborate.			
642. Insurance Europe	Europe	No	**Answer:** No **Comment:** Insurance Europe welcomes the IAIS' proposal to move to a more absolute approach as the

			predominant systemic risk assessment methodology but believes that further work is needed to ensure that the indicators are designed and calibrated to measure potential systemic risk that is material to the global financial system. Specifically: • To be credible, any assessment of potential systemic risk needs to be based on absolute measures (that compare the size of the activity/exposure to the market size for such activities) to determine whether they are material to the global financial system. Therefore, a materiality threshold should be developed at an indicator/category level, to determine whether the potential systemic risk each indicator/category is designed to assess is likely to be material. • Insurance Europe would suggest working on the basis of absolute values reflective of the global financial markets (as it was the case in the 2016 G-SII methodology for specific indicators only), in conjunction with materiality thresholds that identify only those activities/exposures that might lead to systemic risk. • The use of weightings between indicators will also distort results, given that the weightings are designed to add up to 100%. This means that reducing weightings in one area will necessitate increases elsewhere • Freezing the denominator at outset, as set out in Paragraph 150, is inappropriate as it will result in changes in markets not being reflected, which could distort results over time. • Deducting banking data from the denominators, as set out in Paragraph 153, is inappropriate as it will mean that potential systemic risk to the global financial system is not being assessed with reference to the whole global financial system, but a subset of it. This will distort results.
643. Allianz	Germany	No	**Answer:** Yes **Comment:** Allianz welcomes the IAIS' proposal to move to a more absolute approach as the predominant systemic risk assessment methodology. This would require further work to ensure that the indicators are designed and calibrated to measure potential systemic risk that is material to the global financial system. Specifically: • To be credible, any assessment of potential systemic risk needs to be based on absolute measures (that compare the size of the activity/exposure to the market size for such activities) to determine whether they are material to the global financial system. Therefore, a materiality threshold should be developed at an indicator/category level, to determine whether the potential systemic risk each indicator/category is designed to assess is likely to be material.

			• Freezing the denominator at outset, as set out in Paragraph 150, is inappropriate as it will result in changes in markets not being reflected, which could distort results over time. • Deducting banking data from the denominators, as set out in Paragraph 153, is inappropriate as it will mean that potential systemic risk to the global financial system is not being assessed with reference to the whole global financial system, but a subset of it. This will distort results. • The use of weightings between indicators will also distort results, given that the weightings are designed to add up to 100%. This means that reducing weightings in one area will necessitate increases elsewhere.
644. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** BaFin can support the proposed move to a more absolute approach. However, the future work should be done in conjunction with the cross sectoral analysis to identify firms on whom the IAIS will have an internal discussion as described in the consultation paper.
645. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** GFIA welcomes the IAIS' proposal to move to a more absolute approach as the predominant systemic risk assessment methodology but takes the view that further work is needed to ensure that the indicators are designed and calibrated to measure potential systemic risk that is material to the global financial system. Specifically: • To be credible, any assessment of potential systemic risk needs to be based on absolute measures (that compare the size of the activity/exposure to the market size for such activities) to determine whether they are material to the global financial system. Therefore, a materiality threshold should be developed at an indicator/category level, to determine whether the potential systemic risk each indicator/category is designed to assess is likely to be material. • Freezing the denominator at outset, as set out in Paragraph 150, is inappropriate as it will result in changes in markets not being reflected, which could distort results over time. • Deducting banking data from the denominators, as set out in Paragraph 153, is inappropriate as it will mean that potential systemic risk to the global financial system is not being assessed with reference to the whole global financial system, but a subset of it. This is not absolute and will distort results. • The use of weightings between indicators will also distort results, given that the weightings are designed to add up to 100%. This means that reducing weightings in one area will necessitate increases elsewhere.

646. International Actuarial Association	International	No	**Answer:** Yes **Comment:** The IAA agrees with the move towards a more absolute approach for the reasons given.
647. General Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** Yes.
648. The Life Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** Although we understand the move towards absolute approach at a certain degree; we would like to make a comment in detail after the standard to be set become apparent. Although the IAIS is to consider on the standard in detail in 2019, we request to have an opportunity for stakeholders to submit comments.
649. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** ACLI supports the move toward an absolute view of systemic risk, and we recognize and appreciate the progress that has been made toward cross-sectoral analysis. We encourage additional work along these same lines.
650. Swiss Financial Market Supervisory Authority (FINMA)	Switzerland	No	**Answer:** Yes **Comment:** FINMA welcomes very much the work done so far and encourages the IAIS to move towards a true absolute approach. We consider this as a conceptual cornerstone and as being interlinked with the scope / data pool question of the data collection exercise.
651. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** We have consistently been supportive of the broadest possible use of absolute reference value indicators, as they appropriately account for the contribution of an individual insurer to the overall insurance market, instead of the relative considerations (a pool of insurers) of other indicators. We therefore support the move to an absolute approach, as defined and documented in para. 150. In addition, the approach should account for cross-sectoral contributions, beyond the proposed analysis outlined in para. 152. The indicator denominators should include figures for the entire financial sector wherever possible, assessing individual firm contributions to the financial market, beyond insurance (see our response to Q44).

652. Aegon N V	The Netherlands	No	**Answer:** Yes **Comment:** Although we would prefer to see the scoring of individual insurers discontinued entirely, if scoring is to remain, we consider the suggested move to an absolute scoring approach to be a welcome and overdue change. Aegon has raised concerns about the relative ranking approach in previous IAIS consultations.
653. Association of British Insurers	United Kingdom	No	**Answer:** Yes **Comment:** The ABI sees as positive the statements in Paragraph 138 and 149 that the IAIS proposes to move to a more absolute approach as the predominant systemic risk assessment methodology. However, we consider these proposals need further development to ensure that the indicators are designed and calibrated to measure potential systemic risk that is material to the global financial system. Specifically, we would note the following: (1) To be credible, any assessment of potential systemic risk needs to be based on absolute measures (that compare the size of the activity/exposure to the market size for such activities) to determine whether they are material to the global financial system. Therefore, a materiality threshold should be developed at an indicator/category level, to determine whether the potential systemic risk each indicator/category is designed to assess is likely to be material. (2) The current indicator methodology only focuses on insurance data. Therefore, freezing the denominator at the outset, as set out in Paragraph 150, would not reflect changes in the global financial system, which could distort results over time. (3) Not reflecting market-wide data in the denominators, and deducting banking data, as set out in Paragraph 153, is inappropriate as it will mean that potential systemic risk to the global financial system is not being assessed with reference to the whole global financial system, but a subset of it. This will distort results. (4) The use of weightings between indicators will also distort results, given that the weightings are designed to add up to 100%. This means that reducing weightings in one area will necessitate increases elsewhere.
654. National Association of Mutual Insurance Companies	United States	No	**Answer:** Yes **Comment:** See GFIA response.

655. RAA	United States and many other jurisdicitons	No	**Answer:** Yes **Comment:** Yes. The RAA has supported the absolute approach for years at the IAIS because the relative ranking approach does not capture increases or decreases in activity of the entire selection of insurers. We also believe that the materiality of any absolute measurement of risk in the insurance sector needs to be weighed against the systemic risk of similar activities in other financial services sectors before a decision is made to implement supervisory action. For example, if securities lending is deemed systemic but the insurance industry only has 5% portion of this total exposure, the insurance industry is not likely contributing materially to systemic risk. At this point it becomes a microprudential issue not a macroprudential one.
656. Prudential Financial, Inc.	United States of America	No	**Answer:** Yes **Comment:** We reiterate our view that individual insurers are not systemic and that the IAIS should not continue to collect data from individual insurers. Instead the IAIS should focus on leveraging aggregate information provided by jurisdictional supervisors/authorities. That said and to the extent the IAIS decides to continue the practice, we agree with the move toward a more absolute and cross sectoral approach.
657. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** Yes **Comment:** Yes, the IAIS should move to a more absolute approach to the assessment of systemic risk of individual insurers. The relative methodology has been problematic since the beginning for reasons as cited in the paper.
658. CNA	USA	No	**Answer:** Yes **Comment:** CNA supports the move to absolute values and believes that it can be used by modifying the existing binary approach. That being said, we do not agree with the premise that built up systemic risk potentially resides within the entire insurance sector requiring the expansion of the systemic risk assessment to the entire industry
659. Northwestern Mutual	USA	No	**Answer:** Yes **Comment:** We do agree, but believe you have not gone far enough. Please see our response to Question 35.

660. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** Yes **Comment:** Yes, the NAIC agrees with moving to a more absolute approach to the assessment of systemic risk, because the relative ranking does not capture if the systemic risk of the entire sample increased or decreased. The absolute approach should capture a firm's change in systemic risk and the ABA should capture the sector's change.
Q48 Are there other considerations on the cross-sectoral analysis? Please elaborate.			
661. Insuranc e Europe	Europe	No	**Answer:** Insurance Europe does not believe that comparing scores between the different methodologies used by banks and insurers (as noted in Paragraph 153) would be an appropriate approach. Nevertheless, the relative size of insurers' activities/exposures to the global financial system, in comparison to the banking sector's activities/exposures where the same activity is undertaken, may provide a useful (albeit crude) guide to arriving at a threshold above which that activity/exposure may be regarded as potentially systemic. Notably missing from this cross-sectoral section is any mention of asset managers.
662. Allianz	Germany	No	**Answer:** Allianz does not believe that comparing scores between the different methodologies used by banks and insurers (as noted in Paragraph 153) would be an appropriate approach. Nevertheless, the relative size of insurers' activities/exposures to the global financial system, in comparison to the banking sector's activities/exposures where the same activity is undertaken, may provide a useful (albeit crude) guide to arriving at a threshold above which that activity/exposure may be regarded as potentially systemic. It would be helpful for the IAIS to provide further clarity on which of the six indicators it has identified as being common between the banking and insurance methodologies (see Paragraph 144).
663. Global F ederation of I nsurance Ass ociations	Global	No	**Answer:** GFIA does not take the view that comparing scores between the different methodologies used by banks and insurers (as noted in Paragraph 153) would be an appropriate approach. Nevertheless, the relative size of insurers' activities/exposures to the global financial system, in comparison to the banking sector's activities/exposures where the same activity is undertaken, may provide a useful (albeit crude) guide to arriving at a threshold above which that activity/exposure may be regarded as potentially systemic. Notably missing from this cross-sectoral section is any mention of asset managers.
664. Internati onal Actuarial Association	International	No	**Answer:** The IAA is supportive of improved study, tracking etc of financial flows between the financial sectors and that there be improved cooperation and consultation between financial sector supervisors within and across jurisdictions. Siloed financial sector supervision may fail to observe systemic risk building across the financial sectors. Previously, the

			now disbanded Joint Forum (of the BCBS, IAIS and IOSCO) studied these matters. The IAA welcomes improved cross-sectoral study of systemic risk issues, both short term and long term in nature.
665. General Insurance As sociation of J apan	Japan	No	**Answer:** As stated in paragraph 26, the assessment of the cross-sectoral dimension of systemic risk is very important, and in particular, the fact that the dimension of systemic risk of the insurance sector is smaller than that of the banking sector should be noted. Regarding the possibility of systemic risk occurring simultaneously in both the banking sector and the insurance sector, developing and assessing common indicators and implementing policy measures are important. On the other hand, the dimension of the banking sector and the insurance sector and their activities are significantly different. Also, treating them the same with regards data collection related to the risk and policy measures may be an excessive limitation, which could impede the sound development of the insurance sector. For the above reasons, unfairness in the framework for data collection and policy measures should be avoided by cautiously taking the differences in size between the banking sector and the insurance sector and their respective main activities into account.
666. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** No.
667. Swiss R e	Switzerland	No	**Answer:** In particular in the medium term, the IAIS should strive to work with the BCBS and CPMI-IOSCO to develop a cross-sectoral approach for those activities which can be carried out by banks, insurers and others, such as securities lending and borrowing, and derivatives use.
668. Associati on of British I nsurers	United Kingdom	No	**Answer:** The ABI does not consider that comparing scores between the different methodologies used by banks and insurers (as noted in Paragraph 153) would be an appropriate approach. Nevertheless, the relative size of insurers' activities/exposures to the global financial system, in comparison to the banking sector's activities/exposures where the same activity is undertaken, may provide a useful (albeit crude) guide to arriving at a threshold beyond which that activity/exposure may be regarded as potentially systemic. Notably missing from this cross-sectoral section is any mention of asset managers.
669. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** Yes. See GFIA response.

670. RAA	United States and many other jurisdicitons	No	**Answer:** See response to question 47.
671. Prudential Financial, Inc.	United States of America	No	**Answer:** We reiterate our view that individual insurers are not systemic and that the IAIS should not continue to collect data from individual insurers. Instead the IAIS should focus on leveraging aggregate information provided by jurisdictional supervisors/authorities. That said and to the extent the IAIS decides to continue the practice, we believe paragraph 153 must be clarified to better explain: + How/why including banking data in the absolute methodology would lead to a distortion between the risk indicators; and + The details of the supplemental analysis that would be performed, including how the IAIS will ensure sufficient transparency of the process. In addition, any comparison of scores between insurers and banks would need to incorporate weighting adjustments and be viewed in context of absolute metrics/measures to recognize inherent differences in scale between industries and systemic importance.
672. AIG	USA	No	**Answer:** The holistic framework represents significant progress in the development of a systemic risk assessment framework tailored to the insurance sector. Unlike the pure entity-based G-SII framework, which was a crude translation from the banking systemic risk approach, the holistic framework appropriately focuses both on the limited forms of potential systemic risk within insurance, as well as on the types of policy measures relevant to insurance. To cite a few examples of the progress towards an insurance-centric approach, we note the IAIS initiative to more consistently benchmark the quantitative data that is comparable across banks and insurers; the observable (albeit incomplete) move away from an EBA; the recognition that insurance risk exposures only become systemic if propagated through a defined transmission channel; and the apparent move away from bank-like capital buffers as a policy measure (the "higher loss absorbency" requirement or HLA). We see further opportunities to extend and enhance the IAIS focus on cross-sectoral analysis. Most importantly, we believe that a fundamental assessment of the insurance sector relative to the banking sector would reveal that insurers only contribute incrementally to potential global systemic risks. To the contrary, insurance companies can play a

			stabilizing role during periods of market distress, as the natural buyers of temporarily illiquid but fundamentally sound obligations. A "tabula rasa" reading of the holistic framework consultation document, with its thoughtful but quite expansive delineation of potential risk exposures and policy measures, might lead to the false conclusion that there is significant inherent systemic risk inherent within insurance. We think it would be constructive for the IAIS to conduct further analysis to properly contextualize the relatively insignificant financial stability concerns for the insurance sector in its current state. Another area for extending the IAIS cross-sectoral view is to contextualize certain risk exposures relative to other sectors. For example, in the case of using derivatives for hedging, insurers serve as a customer or end-user, rather than as a provider, of financial services. In this instance, an insurer hedging its market risk exposure is akin to any other corporate entity managing its exposure to future volatility (e.g., airlines hedging fuel costs or farmers hedging commodity price risk). Similarly, taking a cross-sectoral view will help to put into context the activities within insurance that are either analogous or identical to activities in other financial services sectors. For example, products with "automatic asset sales triggered by asset value decreases" are cited in the consultation as an example of a feature that can exacerbate asset liquidation during periods of distress. While it is important to assess the potential for such product-level risk management features to impact the broader financial markets, this analysis would only be viable if also contemplating the comparatively more significant use of put-like features (e.g., portfolio insurance) within the asset management industry.
673. Northwestern Mutual	USA	No	**Answer:** Please see our response to Question 35.
674. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** Cross-sectoral analysis should strive to not only capture banking and insurance, but also the asset management sector, as that sector can engage in the same systemic activities. For example, asset management firms are active in securities lending, repos, and derivatives trading with banks and insurers as their counterparties.
Q49 Are there other, additional analyses that the IAIS should apply to support the assessment? Please elaborate.			
675. General Insurance Association of Japan	Japan	No	**Answer:** No.

676. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No.
Q50 Do you agree with the move away from setting a (fixed) threshold that results in a binary classification of insurers as either systemic or not? Please elaborate.			
677.		No	**Answer:** Yes **Comment:** No threshold should be predetermined and the binary approach should be abandoned.
678. Insurance Europe	Europe	No	**Answer:** No **Comment:** Insurance Europe agrees that there should not be a threshold that determines whether an insurer is deemed to be a G-SII or not. Insurance Europe considers that the previous methodology had conceptual flaws which led to G-SIIs being designated largely due to their size, with few relevant measures of actual potential risk. However, it is unclear from the consultation paper how the IAIS will determine whether an insurer is demonstrating a significant level/trend of increasing systemic impact, or how this links with the use of intervention powers discussed in the consultation. In moving away from a threshold, it is still important that where the IAIS/national authorities determine that an insurer is demonstrating a significant level and/or trend of increasing potential systemic impact in case of distress or failure, that they can quantify objectively the level of risk to the global financial system. Insurance Europe therefore considers that, instead of a threshold applied to the sum of all the indicators, each indicator should have an objective threshold based on absolute measures that could pose a material threat to the global financial system. In addition, Insurance Europe would ask the IAIS to clarify the meaning of the final sentence of Paragraph 155, which notes that the threshold “would not solely be used to identify a specific status”. This implies that the IAIS may continue to designate insurers as G-SIIs.
679. Allianz	Germany	No	**Answer:** Yes **Comment:** Allianz supports the IAIS’s move away from an binary, entity-based approach and welcomes the introduction of an activities-based approach for the measurement of potential systemic risk. We do however disagree with keeping an entity-based approach and we consider the revisions to the indicators as no fundamental change to the current designation process. Insofar we would like to urge the IAIS to further develop an activities-based approach.

680. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** Using a variety of consideration for setting a threshold is a good way forward. Once the different elements have been developed, the IAIS should "freeze" the methodologies to allow for a phase of stability for both insurers and supervisors. As a result, the threshold should be meaningful, and while not being decisive on an automatic G-SII status any more, it should allow for robust discussion within the IAIS, i.e. changes and developments that could raise systemic concerns should be picked up and result in a reaction by the IAIS.
681. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** GFIA agrees that there should not be a threshold that determines whether an insurer is deemed to be a G-SII or not. GFIA considers that the previous methodology had conceptual flaws which led to G-SIIs being designated largely due to their size, with few relevant measures of actual potential risk. However, it is unclear from the consultation paper how the IAIS will determine whether an insurer is demonstrating a significant level/trend of increasing systemic impact, or how this links with the use of intervention powers discussed in the consultation. In moving away from a threshold, it is still important that where the IAIS/national authorities determine that an insurer is demonstrating a significant level and/or trend of increasing potential systemic impact in case of distress or failure, that they can quantify objectively the level of risk to the global financial system. GFIA therefore considers that, instead of a threshold applied to the sum of all the indicators, each indicator should have an objective threshold based on absolute measures that could pose a material threat to the global financial system. In addition, GFIA would ask the IAIS to clarify the meaning of the final sentence of Paragraph 155, which notes that the threshold "would not solely be used to identify a specific status". This implies that the IAIS may continue to designate insurers as G-SIIs.
682. International Actuarial Association	International	No	**Answer:** Yes **Comment:** The IAA agrees with move away from a binary classification as it can lead to fairly minor changes in risk exposure or activities to trigger a re-classification, which may or may not reflect systemic risk depending on the subjective design of the scoring mechanism.
683. General Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** Yes.

684. The Life Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** We agree to suspend from the binary approach which is based on a certain threshold.
685. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** ACLI strongly supports the move away from binary classifications. As the IAIS works through other assessment tools (such as the indicators) it should similarly avoid ratios and other measurements that lend themselves to binary outcomes.
686. Swiss Financial Market Supervisory Authority (FINMA)	Switzerland	No	**Answer:** Yes **Comment:** FINMA considers the value from a fair analysis and understanding of individual firms risk position and drivers in absolute terms to be key. A threshold of any sort could hinder the envisaged collective dialogue at global level. The focus should therefore be to move away from any kind of binary approach.
687. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** We support moving away from a fixed overall threshold. The IAIS should actually go further and cease to focus on insurers´ overall scores. Instead, the monitoring should focus on the extent to which insurers engage in systemically risky activities, and whether this level of engagement approaches a critical threshold. The overall score for any given firm is much less relevant than the overall level of any given systemically risky activity measured across all firms, and compared to the overall financial sector. Additionally, measures should only be applied to when the overall level of activity, across all firms, approaches a critical threshold. Such a threshold should be based on a) the historic levels of activity across the entire financial sector (e.g. the levels seen leading up to a financial crisis, or a historic "high-water mark") and b) insurers´ contribution to the overall level of activity across the financial sector. When the threshold (a) is achieved, and insurers´ contribution (b) is critically large, mitigating measures should be considered for application, either across the entire insurance sector when many insurers contribute to the total level of activity, or to specific individual insurers when one/few insurers contribute a large share of the overall level of activity.
688. Aegon NV	The Netherlands	No	**Answer:** Yes **Comment:** We view this as sensible. If a scoring approach is to be employed, it should be an indicator rather than a perceived precise quantitative assessment of an insurer's systemic importance.

689. Association of British Insurers	United Kingdom	No	**Answer:** Yes **Comment:** The ABI agrees that there should not be a threshold that determines whether an insurer is deemed to be a G-SII or not. We also consider that the previous methodology had conceptual flaws which led to G-SIIs being designated largely due to their size, with few relevant measures of actual potential risk. However, it is unclear from the consultation paper how the IAIS will determine whether an insurer is demonstrating a significant level/trend of increasing systemic impact, or how this links with the use of intervention powers discussed in the consultation. In moving away from a threshold, it is still important that where the IAIS/national authorities determine that an insurer is demonstrating a significant level and/or trend of increasing potential systemic impact in case of distress or failure, that they can quantify objectively the level of risk to the global financial system. We therefore consider that instead of a threshold applied to the sum of all the indicators, each indicator should have an objective threshold based on absolute measures that could pose a material threat to the global financial system. In addition, we would ask the IAIS to clarify the meaning of the final sentence of Paragraph 155, which notes that the threshold “would not solely be used to identify a specific status”. This implies that the IAIS may continue to designate insurers as G-SIIs.
690. RAA	United States and many other jurisdicitons	No	**Answer:** Yes **Comment:** Yes. Relative rankings are not indicative of the systemic importance of an individual insurer to the overall market.
691. Prudential Financial, Inc.	United States of America	No	**Answer:** Yes **Comment:** We reiterate our view that individual insurers are not systemic and that the IAIS should not continue to collect data from individual insurers. Instead the IAIS should focus on leveraging aggregate information provided by jurisdictional supervisors/authorities. That said and to the extent the IAIS decides to continue the practice, we agree with the move away from setting a (fixed) threshold that results in a binary classification of insurers as either systemic or not. In addition, we commend the IAIS for recognizing the importance of obtaining the GWS perspective on an individual insurer or insurers as part of any assessment of potential systemic risk. However, we believe it would be more appropriate for the IAIS to eliminate the use of a threshold entirely and instead incorporate perspectives of the GWS up front for all insurers in scope for the exercise. In addition, given the objective of focusing on risks that could potentially impact “global” financial stability, any assessment must be based on outcomes of an absolute approach. Continuation of a relative ranking of approximately

			50 insurers/IAIGs will do little to illuminate potential risks within the global insurance sector, let alone the global financial system. Finally, the application of supervisory judgement should be anchored to sound rationale and transparent to stakeholders.
692. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** Yes **Comment:** As stated in the Consultation Document, the IAIS proposes to use a "combination of perspectives and criteria to indicate a high level and/or trend of increasing global systemic risk, including the outcomes of an absolute approach (once developed), relative rankings within the insurance sector, cross-sectoral analysis and supervisory judgment." While we support moving from a binary classification of insurers, the proposed way forward is too open-ended with no limit on "perspectives" to be applied (or even what that means exactly), and with supervisory judgment that is neither constrained nor guided in any way. This is clearly an area where meaningful stakeholder engagement cannot possibly occur in the absence of specific criteria and guidance. Please also see our response to question #35 which pertains more to the underlying process and a collective discussion that may likely extend beyond involved supervisors in a group's supervisory college.
693. CNA	USA	No	**Answer:** No **Comment:** CNA does not agree with the move away from a binary approach since it provides clarity regarding how proportionality would be implemented in practice and eliminated systemic regulatory risk completely for firms not subject to the systemic data survey. From our perspective the only firms that should be in favor of eliminating the binary approach are firms that have previously been designated as systemic. The proposed way forward is too open-ended with no limit on "perspectives" to be applied (or even what that means exactly), and with supervisory judgment that is neither constrained nor guided in any way. This is clearly an area where meaningful stakeholder engagement cannot possibly occur in the absence of specific criteria and guidance.
694. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** Yes **Comment:** Yes, the NAIC agrees, particularly to the extent that the threshold continues to be applied to scores that are based largely on a relative ranking of firms. Relative rankings may not be indicative of the systemic importance of a firm to the overall market.
Q51 Are there any considerations on the criteria that may be used to trigger further analysis or specific discussions within the IAIS? Please elaborate.			

695. General Insurance Association of Japan	Japan	No	**Answer:** No.
696. The Life Insurance Association of Japan	Japan	No	**Answer:** On setting criteria, the IAIS should take into consideration of aspects such as appropriateness, cliff effect and so on.The criteria set by the IAIS might limit the business activity of insurers, and therefore the IAIS should sufficiently consider the opportunity loss of insurers. Although the IAIS is to consider on the criteria in detail in 2019, we strongly request to have an opportunity for stakeholders to submit comments.
697. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No.
698. Swiss Financial Market Supervisory Authority (FINMA)	Switzerland	No	**Answer:** Further analysis or specific discussions of an individual insurer should be justified based on specific risk concerns in absolute terms of that individual firm. Pre-determined criteria seem to be unfit to achieve this. The GWS, based on the insights gained in the supervisory college, would then be an appropriate source for any considerations.
699. Swiss Re	Switzerland	No	**Answer:** See our response to Q50.
700. Aegon NV	The Netherlands	No	**Answer:** More consideration could be given to how substitutability issues might be addressed, perhaps by identifying critical niche markets and performing specific analysis of the major insurers in those markets.
701. Prudential Financial, Inc.	United States of America	No	**Answer:** Please refer to our response to question 48.
702. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** To the extent that the scores continue to be based largely on a relative ranking, and given previous deeper dive discussions on the highest ranking firms, the criteria used to trigger a discussion going forward should consider the firm´s overall score and the change in the firm´s score relative to the change in the average score. For example, discussion could be limited to those firms within the top X ranking firms that had an annual percentage change in score exceeding Y times the percentage change in the overall average score.

Q52 Do you support the development of a quantitative metric to measure liquidity risk? Do you have suggestions for the development of such a metric?			
703. Insurance Europe	Europe	No	**Answer:** The consultation document mentions that the IAIS "intends to develop" liquidity risk metrics, while giving little information on the specifics of such metric metrics, thereby making it difficult to discuss the proposal. Nevertheless, Insurance Europe believes that using a tool initially developed for banking supervision to compute a liquidity ratio such as the one presented in Annex 2 of the consultation document, would not capture the specificities of insurance business. The liquidity ratio requires banks to hold an amount of highly liquid assets that are equal to or greater than their net cash flow over a 30-day stress period. A 30-day horizon represents nearly an instantaneous lapse time. It can be useful for banking system assessment as shocks in bank can be instantaneous. In an insurance context, investment, cash management and ALM rely on longer time horizons and instantaneous shocks do not materialise immediately on insurers' balance sheets.
704. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** The IAIS should first perform a kind of test on whether such a metric is needed or not before rolling out the metric more broadly. If the IAIS develops a metric,the development should take the specificities of the insurance business into account. A copy paste exercise from the banking sector is likely to result in results that would portrait a wrong picture. Therefore the quality of any metric developed to measure liquidity risk depends significantly on how characteristics of insurance contracts are considered - and also whether they can reliably be calculated or estimated - within the calculation. Taking the above into account, IAIS should keep its rational to only use this as a monitoring tool and not transform this into a requirement.
705. Global Federation of Insurance Associations	Global	No	**Answer:** The consultation document mentions that the IAIS "intends to develop" liquidity risk metrics, while giving little information on the specifics of such metrics, thereby making it difficult to discuss the proposal. Nevertheless, GFIA is of the view that using a tool initially developed for banking supervision to compute a liquidity ratio such as the one presented in Annex 2 of the consultation document, would not capture the specificities of insurance business. The liquidity ratio requires banks to hold an amount of highly liquid assets that are equal to or greater than their net cash flow over a 30-day stress period. A 30-day horizon represents nearly an instantaneous lapse time. It can be useful for banking system assessment as shocks in bank can be instantaneous. In an insurance context, investment, cash management and ALM rely on longer time horizons and instantaneous shocks do not materialise immediately on insurers' balance sheets.
706. International Actuarial Association	International	No	**Answer:** The IAA is supportive of the value of a liquidity risk metric. It has no specific suggestions for its design at this time but would be pleased to provide advice during its design. Of course, a liquidity risk metric has a different level of meaning and importance for banks, life insurers versus non-life insurers due to the inherent differences between the

			insurance coverages provided. Thus, there may need to be some nuanced differences or alternative measures based on the fundamental activities and exposures of the entity.
707. General Insurance As sociation of J apan	Japan	No	**Answer:** Given that liquidity risk highly related to systemic risk is limited, rather than developing a metric for general liquidity risks, developing one for a specific liquidity risk which can lead to systemic risk is more appropriate to consider. Whether or not we are able to support it will depend on the contents of the possible metric, but we are against developing a uniform standard that does not take insurers' sizes and risks to which they are exposed into account.
708. The Life Insurance As sociation of J apan	Japan	No	**Answer:** Since the LIAJ understands that the IAIS intends to assess liquidity risks comprehensively, we partially agree with developing ancillary indicators by the IAIS to assess liquidity risks. As stated in paragraph 162, when developing these metrics, it should be sufficiently tailored for characteristics of insurance business rather than introducing tools developed for bank directly. For example, the liquidity of surrender value should be assessed by using numeric factors in a holistic manner where due consideration is paid to broader aspects including the purpose of the insurance contracts, substantial economic penalties embedded in high guaranteed rate contracts and policyholder protection schemes and mechanisms. In addition, for liquidity sources, cash in-flow arising from level premium income should be considered. We request to have an opportunity for stakeholders to submit comments when considering in detail.
709. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** No. This should be left to jurisdictional analysis, and the IAIS role should be limited to broad global monitoring based on information jurisdictional supervisors and IAIS members share with the organization.
710. Swiss R e	Switzerland	No	**Answer:** See our response to Q17. We do not support the banking sector liquidity ratios (NSFR and LCR): they are not adapted to the insurance business model. In addition, while these ratios appear simple on the surface, they are informed by a significant range of data points. Company-specific comment: Swiss Re´s core liquidity policy is to retain sufficient liquidity in the form of unencumbered liquid assets and cash to meet potential funding requirements arising from a range of possible stress events. To allow for regulatory restrictions on intra-Group funding, liquidity is managed within groups of entities known as liquidity pools. Swiss Re is served by four main liquidity pools representing the parent companies of the Group and each of the three Business Units. Each liquidity pool comprises the respective parent company and its unregulated subsidiaries whose funds are freely transferable to the parent company. The amount of liquidity held is largely determined by internal liquidity stress tests, which estimate the potential funding requirements stemming from extreme loss events.
711. Aegon N V	The Netherlands	No	**Answer:** We hesitate to support the development of a liquidity ratio. Given the expansive range of liquidity characteristics within insurance liabilities, a liquidity ratio runs the risk of being overly simplistic and misleading. Even as

			a non-binding monitoring tool, the existence of a liquidity ratio would effectively require companies to manage to the ratio, potentially resulting in herding behaviour, which itself may propagate systemic risk.
712. Association of British Insurers	United Kingdom	No	**Answer:** The ABI supports the aim of ensuring any assessment of an insurer's liquidity risk appropriately takes account of the nature of that insurer's business. Ideally, any supervisory analysis in this respect should leverage insurers' own liquidity risk management as part of its wider enterprise risk management framework. Reporting through the ORSA should provide a foundation for supervisory assessment.
713. National Association of Mutual Insurance Companies	United States	No	**Answer:** NAMIC recommends that the IAIS consider the differences in different business models in the insurance sector in developing standards for liquidity. The widespread use of reinsurance and unknown extent of future liabilities for property/casualty insurers raises concerns about the repeated references to asset-liability matching. This type of matching exercise is the standard for the life industry, but not for the property/casualty industry. A recognition that there are differences in the business models between the two sectors should be addressed.
714. Prudential Financial, Inc.	United States of America	No	**Answer:** We reiterate our view that individual insurers are not systemic and that the IAIS should not continue to collect data from individual insurers. Instead the IAIS should focus on leveraging aggregate information provided by jurisdictional supervisors/authorities. That said and to the extent the IAIS decides to continue the practice, we disagree with the development of a "one size fits all" generic approach for liquidity metrics as it would result in a crude and misleading assessment of risks. A cash-flow approach is preferable to a factor-based approach. Scenario-based assessment of cash flows enables identification of cash demands that can be met with normal cash flows (e.g., premiums, investment income, maturing assets, etc.), versus demands that must be met with asset sales and/or other contingent sources - a differentiation that is key for identifying potential cross-sectoral impacts. Instead of developing a blunt one size fits all approach, the IAIS should focus on leveraging information on liquidity risk gathered by jurisdictional supervisors and authorities that can be based on a more risk sensitive cash flow-based approach.
715. American Property Casualty Insurance Association (APCIA)	USA	No	**Answer:** Regarding liquidity risk, we do not feel that liquidity risks are relevant to the non-life insurance sector specifically. Non-life insurance policies are of a short duration, usually one year or less. While claims can take many years to emerge, be reported, adjudicated and paid, they are a function of insured events occurring during the period of coverage - not of future macroeconomic events as is the case for life insurance. Non-life insurers inherently enjoy positive cash flow (premiums are received well in advance of claim payments) and generally have a liquid asset profile that, while not matched in the manner that is the practice for some life insurance lines, nonetheless broadly reflects the liabilities. While some non-life insurers incur some claims that can pay out over longer periods, they are generally diversified across varied risks and benefit from a positive cash flow business model that makes it unlikely that a particular activity undertaken by them would pose financial risks. Finally, non-life insurers do not face the surrender

			issues that are faced by the life insurance industry, and non-life risks are uncorrelated with financial risks; combined with the fact that claim payments depend on the occurrence and reporting of a covered event and are not payable at the claimant's option, there is no risk of a "run on the bank." Thus, we are not convinced that there is any single metric that would provide an appropriate and comparable measure for liquidity risk, certainly in the case of non-life insurance in particular. Given the immense effort over years and the extensive concerns that remain regarding the ICS, the IAIS would be well-served to learn from that process. Rather that begin to develop yet another metric in a laboratory, the IAIS should take considerable time to concern how firms currently manage and measure liquidity risk, to understand not just how they differ, but also the reasons why. Once that is better understood, it may be the case that an IAIS-sponsored metric is not the best response at all, rather to take what has been learned and package it as a knowledge base to support members as they engage with insurers in assessing risk.
716. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** Quantitative metrics can be useful to assess liquidity risk concerns; however, a simplified generic metric is unlikely to provide sufficient insights. As a suggestion for developing such a metric, given the significance in size and importance of IAIGs to various jurisdictions and markets, a reasonable approach could be to construct requirements for stress tests and guiderails for IAIGs to use in their own liquidity stress testing (which most do already). The next step could be more standardization of the actual modeling exercise itself. This would also give time for jurisdictions to develop and have experience with their own solutions to liquidity stress tests, which could inform IAIS work.
Q53 Are there any other ancillary indicators that the IAIS should consider?			
717. Insurance Europe	Europe	No	**Answer:** The need for other ancillary indicators in part depends on the adequacy of the indicators included within the global monitoring. Insurance Europe considers that the current measure on Level 3 assets is inappropriate in an insurance context, as it does not consider the liquidity of an insurer's assets in the context of the liquidity of its liabilities i.e. where illiquid assets are held against illiquid liabilities there is no liquidity risk. If this deficiency in the indicators is not corrected, then an ancillary indicator/assessment should be introduced to ensure Level 3 assets are viewed in the context of the liquidity of insurers' liabilities. Similarly, for securities lending transactions where collateral is held and not reinvested, the proposed changes to the indicators to exclude transactions where there are contractual provisions to prohibit collateral reinvestment (while a welcome step in the right direction) will still not recognise all securities transactions where there is no collateral reinvestment. Ideally, this should be corrected; if this is not done then an ancillary indicator should be introduced to ensure that such transactions are properly assessed.

718. Global Federation of Insurance Associations	Global	No	**Answer:** The need for other ancillary indicators in part depends on the adequacy of the indicators included within the global monitoring. GFIA considers that the current measure on Level 3 assets is inappropriate in an insurance context, as it does not consider the liquidity of an insurer's assets in the context of the liquidity of its liabilities i.e. where illiquid assets are held against illiquid liabilities there is no liquidity risk. If this deficiency in the indicators is not corrected, then an ancillary indicator/assessment should be introduced to ensure Level 3 assets are viewed in the context of the liquidity of insurers' liabilities. Similarly, for securities lending transactions where collateral is held and not reinvested, the proposed changes to the indicators to exclude transactions where there are contractual provisions to prohibit collateral reinvestment (while a welcome step in the right direction) will still not recognise all securities transactions where there is no collateral reinvestment. Ideally, this should be corrected; if this is not done then an ancillary indicator should be introduced to ensure that such transactions are properly assessed.
719. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No.
720. Association of British Insurers	United Kingdom	No	**Answer:** The need for other ancillary indicators in part depends on the adequacy of the indicators included within the global monitoring. The ABI considers that the current measure on Level 3 assets is inappropriate in an insurance context, as it does not consider the liquidity of an insurer's assets in the context of the liquidity of its liabilities - i.e. where illiquid assets are held against illiquid liabilities there is no liquidity risk. If this deficiency in the indicators is not corrected, then an ancillary indicator/assessment should be introduced to ensure Level 3 assets are viewed in the context of the liquidity of insurers' liabilities. Similarly, for securities lending transactions where collateral is held and not reinvested, the proposed changes to the indicators to exclude transactions where there are contractual provisions to prohibit collateral reinvestment (while a welcome step in the right direction) will still not recognise all securities transactions where there is no collateral reinvestment. Ideally, this should be corrected; if this is not done then an ancillary indicator should be introduced to ensure that such transactions are properly assessed.
721. National Association of Mutual Insurance Companies	United States	No	**Answer:** See GFIA response.
722. Prudential Financial, Inc.	United States of America	No	**Answer:** We reiterate our view that individual insurers are not systemic and that the IAIS should not continue to collect data from individual insurers. Instead the IAIS should focus on leveraging aggregate information provided by jurisdictional supervisors/authorities.

			That said and to the extent the IAIS decides to continue the practice, we disagree with continuing to "score" insurers which would only serve to perpetuate the binary EBA approach and fails to provide a meaningful or accurate measure of risks. Instead, the IAIS should focus on assessing and understanding information provided by jurisdictional supervisors and the GWS. More broadly, any indicator that captures or provides context around the key liquidity risks identified in section 2.2.1 should be a point of consideration in IAIS assessments, with the amount of focus each receives dictated by the facts and circumstances of the situation rather than arbitrarily established classifications.
Q54 Are there ancillary indicators that should be dropped?			
723. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** At this stage of the development of the Global Monitoring a discussion on dropping indicators might be too early. However, the IAIS should consider reducing the universe of indicators going forward once the global monitoring has started in practise. Identifying areas that deserve a reduction could already started in parallel of the development phase.
724. American Council of Life Insurers	Office of General Counsel	No	**Answer:** Any ancillary indicator that results in a binary outcome should be dropped. Any ancillary indicator that impinges upon jurisdictional supervisory assessments should be dropped.
725. Prudential Financial, Inc.	United States of America	No	**Answer:** Please refer to our response to question 54.
Q55 What are the expected costs and benefits of the proposals on individual insurance monitoring as discussed in section 4.1?			
726. General Insurance Association of Japan	Japan	No	**Answer:** We can not evaluate them at this stage because we cannot predict their effects on workload. However, the proposal should not impose excessive costs and workload.
727. Swiss Re	Switzerland	No	**Answer:** The costs to individual firms of the individual insurance monitoring are similar to those incurred under the existing G-SII data call. The latter entails significant time and effort to gather the required information in the required quality. We believe the costs could be reduced by focusing only on the information needed to understand each insurer's level of engagement in the specific systemically risky activities. These are few (see our response to Q35 for details). The result

			is a targeted reduction in the level of systemically-risky activities, while, at the same time, minimizing unintended consequences. In doing so, the benefits would significantly outweigh the limited ones of the existing G-SII data call.
728. Prudential Financial, Inc.	United States of America	No	**Answer:** While more detail is necessary to determine the expected costs and benefits of the proposals we note that more prescriptive requirements will give rise to higher costs to insurers, supervisors and consumers. These costs may arise from a need to alter established processes and systems, decisions to cease certain activities or products, etc.
729. CNA	USA	No	**Answer:** Please see CNA's general comments in response to question 1 regarding cost benefit analysis.
Q56 Do you agree that the sector-wide monitoring should have an annual assessment including a possibility for specific, more detailed assessments when needed? Please elaborate.			
730. Insurance Europe	Europe	No	**Answer:** No **Comment:** Sector-wide monitoring should be assessed every three years and there should also be a possibility for specific and more detailed assessments when needed and duly justified. Insurers being long-term investors, the risk profile of the insurance sector does not change drastically over a year, except in crisis periods. Besides, a framework built on data collection and stress-testing could be very burdensome for insurers if implemented every year.
731. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** BaFin fully supports relying on information that has already been collected as a first step in the process. That being said, it is clear that supervisors should not be limited to such data in case a clear rational exists to ask for additional, more targeted data to analyse specific aspects within the insurance sector. As an important prerequisite the IAIS should establish robust mechanism to collect and store data for purposes of the global monitoring.
732. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** GFIA supports a sector-wide approach to identifying and mitigating systemic risk but takes the view that this is a section of the Consultation Paper that needs much additional work. It is impossible to know at this time how the material set forth in Section 4.2 will translate into practical actions and outcomes for supervisors and entities. Sector-wide monitoring should be assessed every three years and there should also be a possibility for specific and more detailed assessments when needed and duly justified. Insurers being long-term investors, the risk profile of the

			insurance sector does not change drastically over a year, except in crisis periods. Besides, a framework built on data collection and stress-testing could be very burdensome for insurers if implemented every year.
733. International Actuarial Association	International	No	**Answer:** Yes **Comment:** The IAA supports sector-wide monitoring however cost/benefit analysis of any data gathering needs to be carefully considered to avoid burdening industry with few visible benefits. There is merit in the two-pronged approach proposed but more importantly the IAA suggests that initially the data gathering begins with a few large markets, with data points readily identified as being useful for analysis and easy to access. As insights are gained and the value of the analysis is confirmed, the data gathering could be expanded in other markets and to other data elements.
734. General Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** Yes.
735. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No **Comment:** While ACLI supports a sector-wide approach to identifying and mitigating systemic risk, this is a section of the Consultation Paper that we believe is in need of much additional work. It is impossible to know at this time how the material set forth in Section 4.2 will translate into practical actions and outcomes for supervisors and entities.
736. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** Yes **Comment:** The paper states that “following the data collection and assessment, the IAIS will have a collective discussion on the assessment of potential systemic risks”. The IAIS should provide more clarity on the specific parties within the IAIS who will be involved in the assessment and discussion of potential systemic individual insurers and systemic activities.
737. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** See our response to Q35, as well as Q58 and Q59.
738. National Association of Mutual Insura	United States	No	**Answer:** No **Comment:** See GFIA Response.

nce Compani es			
739. RAA	United States and many other jurisdicitons	No	**Answer:** No **Comment:** No. We are concerned that a framework built on data collection and stress-testing could be very burdensome for insurers if implemented on an annual basis. We believe that often sector-wide monitoring could be assessed every three years. Based on existing circumstances, more frequent or more detailed assessments could be performed when required. The risk profile of the insurance sector does not change dramatically from year-to-year, except in crisis periods.
740. Prudenti al Financial, I nc.	United States of America	No	**Answer:** Yes **Comment:** As noted in our overarching comments, we believe a meaningful assessment of systemic risk at the global level would require regulators to perform a coordinated cross sectoral assessment of how a shock to global financial markets – which serve as the connective tissue of the financial services sector – could impact activities, risk exposures, transmission channels and, potentially, global financial stability. In carrying out such an exercise the FSB could obtain a comprehensive view of how shocks to the financial system, or components of it, could potentially spread and better understand underlying drivers. The parameters of such an exercise should be driven by the FSB, with execution carried out by jurisdictional financial service regulators as an additional element of their local stress testing regime. While such an exercise would require extensive collaboration and communication across standard setting organizations, regulators, and industry it would ultimately serve as a more meaningful exercise than the narrowly focused and siloed global approaches currently employed. While we believe the broad, cross sectoral exercise described above is the most meaningful and informative approach for assessing global systemic risk, we recognize it would take time to achieve. More specific to the content of section 4.2, we believe aggregate sector wide monitoring is an appropriate objective and level of engagement for the IAIS with respect to its goal of assessing and mitigating potential systemic risk at the global level. We further agree that an annual basis would serve as an appropriate frequency for conducting such an exercise. That said, we have concerns and disagree with various elements of the proposal: + We disagree with the proposal to continue company specific data collections (paragraph 164). + The aggregate assessment should focus on identifying concerning trends regarding counterparty and liquidity exposures (i.e., interconnectedness and asset liquidation). Absent a clear explanation for the role and relevance of the focus on “market data” and “other non-insurer related information” they should be removed from this element of the

			Holistic Framework (paragraph 165). + The following text demonstrates the implicit retention of a binary approach to assessing systemic risk in the Holistic Framework and should be struck from the document – "An assessment with the purpose of identifying insurers whose distress or failure could result in systemic risk at the global level can be restricted to a comparatively small number of internationally active and (generally) large insurers. For the assessment of systemic risk stemming from collective action, the conclusion is less clear-cut." (paragraph 166)
741. CNA	USA	No	**Answer:** No **Comment:** Please see CNA's general comments in response to question 1 regarding cost benefit analysis.
742. Northwestern Mutual	USA	No	**Answer:** Yes **Comment:** Please see our response to Question 35.
743. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** As noted in paragraph 167, the IAIS has yet to develop the objectives, scope, structure and modalities of the data collection. Once the IAIS has developed its thinking on these points, the proposed approach should be consulted upon, along with the results of IAIS analysis of the relevance of other data collections referenced in paragraph 171; at that point we can be better informed to respond to this question. Aggregated data collected from supervisors may be resource intensive for both supervisors and insurers if it requires standardization to IAIS definitions. At a minimum, sector-wide data collection and analysis should be limited to specific activities/exposures identified as having the potential for systemic concern. In addition, there should be periodic reassessments of whether particular data items continue to be collected.
Q57 Do you have additional suggestions on how to identify levels and trends for the sector-wide assessment of systemic risk? Please elaborate.			
744. Insurance Europe	Europe	No	**Answer:** The "sector-wide global monitoring" is the foundation of a domestic systemic risk framework. Insurance Europe would point out that a domestic systemic risk only rarely leads to a global systemic risk. This would tend to be the case when the same risk materializes in several jurisdictions. Therefore, the IAIS should monitor aggregated data only, rather than focus on individual jurisdictions. Stress testing may indicate how a given stress may impact different insurers' business models, and whether there are any potential systemic vulnerabilities.

745. Global Federation of Insurance Associations	Global	No	**Answer:** The "sector-wide global monitoring" is the foundation of a domestic systemic risk framework. GFIA would point out that a domestic systemic risk only rarely leads to a global systemic risk. This would tend to be the case when the same risk materializes in several jurisdictions. Therefore, the IAIS should monitor aggregated data only, rather than focus on individual jurisdictions. Stress testing may indicate how a given stress may impact different insurers' business models, and whether there are any potential systemic vulnerabilities.
746. International Actuarial Association	International	No	**Answer:** For meaningful study of aggregate jurisdictional data, it may be more useful to gather a) aggregate data on the insurance sector as well as b) data just from the "largest" insurers (i.e. however defined - such as top 10, top 10%, IAIG vs non-IAIG, or those with the largest volumes of certain products or activities, etc.) in order to identify differences by size. Meaningful study of trends will require the gathering of data over a number of prior years to start (e.g. 5 years). This may be a considerable burden on the providers of the data as the same data templates may not have been in place over the entire period requested.
747. General Insurance Association of Japan	Japan	No	**Answer:** No.
748. The Life Insurance Association of Japan	Japan	No	**Answer:** In paragraph 171, it is stated that the IAIS may use the data such as data collection coordinated with ICS Field Testing in order to limit the burden to the industry. From the viewpoint of mitigation of burden of the insurers, the LIAJ agrees with paragraph 171. On the other hand, it might lead to a false assessment because ICS is originally not a standard that assesses systemic risk. Therefore the IAIS should use those data with caution.
749. American Council of Life Insurers	Office of General Counsel	No	**Answer:** In keeping with the response to the previous question, it is difficult to provide feedback on this subject until greater details are provided. One comment we can make with certainty, though, is that ACLI strongly opposes the reference to the ICS in paragraph 171. The ICS is incomplete and is not fit-for-purpose in its current form, with significant further work needed before it could be considered "final". Given its preliminary nature, the ACLI calls on the IAIS to remove all references to the ICS from the Holistic Framework.
750. Swiss Re	Switzerland	No	**Answer:** See our response to Q35.

751. Association of British Insurers	United Kingdom	No	**Answer:** Stress testing may indicate how a given stress may impact different insurers' business models, and whether there are any potential systemic vulnerabilities.
752. National Association of Mutual Insurance Companies	United States	No	**Answer:** See GFIA response.
753. RAA	United States and many other jurisdicitons	No	**Answer:** The sector-wide global monitoring is the foundation of a domestic systemic risk framework. A domestic systemic risk only rarely leads to a global systemic risk. This would tend to be the case when the same risk materializes in several jurisdictions. Therefore, the IAIS should monitor aggregated data only, rather than focus on individual jurisdictions. Stress testing may indicate how a given stress may impact different insurers' business models, and whether there are any potential sector-wide systemic vulnerabilities.
754. Prudential Financial, Inc.	United States of America	No	**Answer:** We believe trends can and should be distilled from the sector specific contributions to the proposed FSB coordinated cross sectoral assessment referred to in our response to question 56. As we noted, the sector specific contributions should be based on assessments jurisdictional supervisors carry out on behalf of the FSB. This information should be subject to collective discussions at the IAIS and serve as the basis for addressing its sector-wide monitoring objective. In instances where the jurisdictional supervisors feel it is warranted, information provided could be complemented with information from GWS' in their respective market.
755. Northwestern Mutual	USA	No	**Answer:** Please see our response to Question 35.
756. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** Cross sector and cross market comparisons are useful to compare changes in the level of an activity in the insurance sector to changes in the overall level of an activity. In addition, changes in an activity over time could be compared to changes in overall economic indicators or a broader financial market of which the activity is a part. Stress testing and reverse stress testing may also be useful for assessing systemic risk.
Q58 Do you agree that the additional sector-wide data collection should be based on a representative sample of insurers from relevant jurisdictions, using aggregate data from legal entities? Please elaborate.			

757. Insurance Europe	Europe	No	**Answer:** No **Comment:** While the aggregation of data under a macroprudential framework may make sense for the banking sector given the homogeneous nature of this business, insurers have very different products, business mixes and liabilities. Given these differences, Insurance Europe questions what data could be collected and aggregated that would be useful in identifying potential systemic risk. To be meaningful, data would need to be considered in the context of widely differing individual business models. Any aggregation of information risks inaccuracy and misunderstanding due to potential inconsistencies. More generally, the approach would need to allow for overall ALM and risk management. Multiple data collections should be avoided. Available data, like the OECD Global Insurance Statistic (GIS) should be considered before collecting further data. If additional sector-wide data collection were to be done, the IAIS must ensure that it is proportionate and appropriately justified.
758. Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	**Answer:** Yes **Comment:** BaFin supports the described approach to ask for aggregated data from a representative sample. The collection should as far as possible rely on existing data collection to limit the burden for firms. With respect to the selection of jurisdiction the IAIS should follow an inclusive approach to also integrate some EMDE countries that have shown fast growth but may not yet have a mature enough financial market. Early participation can help to a) monitor upcoming developments and b) involve those jurisdictions from the start. To limit the burden, the IAIS could consider a further reduced data set or other simplifications. Of course, jurisdictions that volunteer to participate should always be welcomed to the exercise. In terms of sample selection within the chosen jurisdictions, the IAIS should strive for a good coverage of the insurance markets, therefore the suggested criteria make sense. However, for some specific segments of the insurance market, the general criteria might not be able to capture the exposure. Therefore, the IAIS may consider an addition to the criteria that would target specific market segments, such as financial guarantee.
759. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** While the aggregation of data under a macroprudential framework may make sense for the banking sector given the homogeneous nature of this business, insurers have very different products, business mixes and liabilities. Given these differences, GFIA questions what data could be collected and aggregated that would be useful in identifying potential systemic risk. To be meaningful, data would need to be considered in the context of widely differing individual

			business models. Any aggregation of information risks inaccuracy and misunderstanding due to potential inconsistencies. More generally, the approach would need to allow for overall ALM and risk management. Multiple data collections should be avoided. Available data, like the OECD Global Insurance Statistic (GIS) should be considered before collecting further data. If additional sector-wide data collection were to be done, the IAIS must ensure that it is necessary, proportionate and appropriately justified.
760. International Actuarial Association	International	No	**Answer:** No **Comment:** The IAA suggests that the follow-up additional data collection should be targeted on the specific issue. This will help determine the best means of follow-up.
761. General Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** Yes, but the additional sector-wide data collection should not impose excessive costs and workload on insurers and supervisors.
762. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No **Comment:** ACLI does not support this approach as it is likely to be duplicative, overly burdensome and unlikely to yield useful results.
763. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** Yes **Comment:** Should the data collection be based on a representative sample of insurers from relevant jurisdictions, the IAIS should develop clear and specific criteria for the selection of this representative sample with appropriate corresponding justifications (to be discussed at MPC/EXCO). Furthermore, the IAIS should be aware that there could be limitations in the collection of aggregate data from legal entities/member jurisdictions, especially if such data is not already being collected or readily available. The IAIS could develop a data template for circulation among EXCO member jurisdictions to assess the ease of such data collection before sending it to the wider IAIS membership for consultation.
764. Swiss Financial Market Supervisory	Switzerland	No	**Answer:** Yes **Comment:** The collection of data needs to be reasonably calibrated to allow a thorough assessment of systemic risks. However, any unnecessary bureaucratic burdens for firms and supervisors should be avoided. In our view, it seems to

Authority (FIN MA)			be a reasonable and credible way forward to use a representative sample and to rely as much as possible on existing jurisdictional data collections.
765. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** We believe that this should indeed be based on a representative sample of insurers from relevant jurisdictions. The data should be collected in such a way as to make it possible for the IAIS to review the group-wide level of activity for each participating insurance group, as well as for local supervisors to review the level of activity of each participating insurance group in each participating jurisdiction. See our response to Q35 and Q59 for further details.
766. Association of British Insurers	United Kingdom	No	**Answer:** No **Comment:** While aggregation of data under a macro-prudential framework may make sense for the banking sector, given the homogeneous nature of its business, insurers have very different products, business mixes and liabilities. Given these differences, we question what data could be collected and aggregated that would be decision-useful in identifying potential systemic risk. To be meaningful, data would need to be considered in the context of widely differing individual business models. Any aggregation of information risks inaccuracy and misunderstanding due to potential inconsistencies. More generally, the approach would need to allow for overall ALM and risk management.
767. National Association of Mutual Insurance Companies	United States	No	**Answer:** No **Comment:** See GFIA response.
768. Prudential Financial, Inc.	United States of America	No	**Answer:** Yes **Comment:** Criteria for establishing the representative sample for a market should be determined solely by the jurisdictional supervisor – not the IAIS – given their responsibility for and knowledge of their respective market (paragraph 167). In addition, further details are needed for stakeholder to adequately opine on the proposed two-pronged approach

			(paragraph 170). While we are generally supportive of "prong (i)", we are concerned with the vague and open-ended nature of "prong (ii)" – greater detail on this prong should be provided and subject to consultation ahead of adopting the Holistic Framework.
769. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** The first step in the data collection process should be to identify potential activities and exposures for which there are systemic concerns. Then the IAIS should consider whether data already collected as supplemented with public information is sufficiently indicative of sector wide trends. If additional information is deemed needed, the IAIS could survey relevant jurisdictions to ascertain what data they already have and could readily provide. After these steps, the IAIS should then be in a position to make a determination whether additional sector-wide data should be gathered from jurisdictional supervisors.
Q59 Do you have alternative suggestions on how to identify appropriate samples for the additional sector-wide data collection of systemic risk?			
770. Insuranc e Europe	Europe	No	**Answer:** As noted in the answer to Question 58, Insurance Europe does not consider that aggregate data will be useful. As suggested in the answer to Question 57, stress testing would be more likely to indicate how a given stress may impact different insurers' business models.
771. Global F ederation of I nsurance Ass ociations	Global	No	**Answer:** As noted in the answer to Question 58, GFIA does not consider that aggregate data will be useful. As suggested in the answer to Question 57, stress testing would be more likely to indicate how a given stress may impact different insurers' business models.
772. Internati onal Actuarial Association	International	No	**Answer:** The IAA has no specific suggestions at this time but would be pleased to provide assistance/advice as the IAIS work progresses.
773. General Insurance As sociation of J apan	Japan	No	**Answer:** No.
774. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** No.

775. Direcció n General de Seguros y Fo ndos de Pens iones	Spain	No	**Answer:** The percentage proposed (60%) is considered high by us.
776. Swiss R e	Switzerland	No	**Answer:** Yes. We propose the following modifications regarding the sample of insurers: For a given jurisdiction, 80% of the local insurance market. We propose 80% since for most markets, the "80/20" rule tends to hold, so that only 20% of the total local insurance groups would need to be assessed in order to account for 80% of the market. It is important to capture a sizable share of the market, since a "tsunami effect" may well be propagated by smaller insurers. Further, an insurer should be included in the sample irrespective of the classification of its parent company - this would ensure that insurers who are part of banking groups are included in the assessment. The local supervisor collects the respective (jurisdictional) data for all insurers falling within this subset. For those insurers whose Head is located in the respective jurisdiction, the supervisor of the jurisdiction is responsible for collecting, in addition to jurisdictional data, also consolidated group data. For those insurers whose Head is not located in the jurisdiction, the IAIS must ensure that consolidated group data is collected for the firm by the supervisor of the jurisdiction in which the Head is located (e.g. for IAIGs, the Group-wide supervisor). The consolidated group data must be subsequently made available to the IAIS. The IAIS would be responsible for analysis of group data, whereas local jurisdictions are responsible for analyzing jurisdictional data. As stated above, the data collection should also include insurers who are part of banking or non-insurance groups. Where possible, supervisors should make use of existing data calls - we assume that existing data calls could be leveraged to provide adequate and comparable data to achieve this end.
777. Associati on of British I nsurers	United Kingdom	No	**Answer:** As noted in our answer to Question 58, the ABI does not consider that aggregate data will be useful. As suggested in our answer to Question 57, stress testing would be more likely to indicate how a given stress may impact different insurers' business models.
778. National Association of Mutual Insura nce Compani es	United States	No	**Answer:** See GFIA response.

779. Prudential Financial, Inc.	United States of America	No	**Answer:** Please refer to our responses to questions 56, 57, and 58.
780. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** Please see our answer to question 58.
Q60 Do you agree that the IAIS seeks to extend the use of other IAIS data collections for the purpose of sector-wide monitoring, where relevant? Please elaborate.			
781. Insurance Europe	Europe	No	**Answer:** No **Comment:** At this stage, the IAIS is collecting a large amount of data, especially from G-SIIs. Insurance Europe would welcome an assessment of how this data is being used before additional data collection is planned.
782. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** At this stage, the IAIS is collecting a large amount of data, especially from G-SIIs. GFIA would welcome an assessment of how this data is being used before additional data collection is planned.
783. General Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** Yes.
784. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No **Comment:** As noted above, ACLI strongly objects to any use or reference to the ICS. The ICS is incomplete and is not fit-for-purpose in its current form, with significant further work needed before it could be considered “final”. Given its preliminary nature, the ACLI calls on the IAIS to remove all references to the ICS from the Holistic Framework.
785. Monetary Authority of	Singapore	No	**Answer:** Yes

Singapore (MAS)			**Comment:** Similar to our response to Qn 58, the IAIS should be aware that there could be practical limitations in such data collections (whether from member jurisdictions or legal entities) especially if such information is not currently being collected or readily available. The IAIS should also be cognizant of the reporting burden on both member jurisdictions and legal entities during the design of the data collection framework.
786. Swiss Financial Market Supervisory Authority (FINMA)	Switzerland	No	**Answer:** Yes **Comment:** The use of existing IAIS data collections should be further explored, in order to minimize the burden on firms and supervisors. This needs to be safeguarded with strict rules and thorough considerations whether available data is fit for purpose, fulfils data quality and captures the required area, i.e. activity or insurers on the desired level (e.g. global or jurisdictional).
787. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** Where possible, the IAIS should use other existing data collections, including non-IAIS data collections. However, the data collected should be appropriate and aligned with the specific objective to measure the insurers´ engagement in systemically risky activities. This would likely necessitate implementing a new data collection. Since there are few systemically risky activities in insurance, few additional data points must be collected. In turn, in the medium term, the IAIS could forgo the (former) G-SII data call.
788. Association of British Insurers	United Kingdom	No	**Answer:** No **Comment:** Please see our answers to Questions 58 and 59.
789. National Association of Mutual Insurance Companies	United States	No	**Answer:** No **Comment:** See GFIA response.
790. Prudential Financial, Inc.	United States of America	No	**Answer:** No **Comment:** As noted elsewhere in our response, we strongly disagree with the notion of using the ICS as an element of the Holistic Framework. Field test results have consistently demonstrated the ICS remains deeply flawed and unfit for purposes as a capital standard, let alone potential broader uses. Given the inaccurate measure of risks the ICS currently produces, its use in the Holistic Framework would undercut the IAIS' efforts to meaningfully or accurately assess

			potential systemic risk exposures at the global level and thereby trigger unintended consequences. We reiterate our call to strike all references to the ICS throughout the Holistic Framework. The appropriateness of using IAIS data collections beyond ICS field testing would need to be assessed on a case by case basis. Specific examples should be provided and subject to public consultation before they are used in practice as part of the Holistic Framework.
791. CNA	USA	No	**Answer:** No **Comment:** See response to question 36.
792. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** Yes **Comment:** Yes. In paragraph 171, the IAIS clearly states its intention to use other IAIS data collections for the purpose of sector-wide monitoring.
Q61 What are the expected costs and benefits of the proposals on sector-wide monitoring as discussed in section 4.2?			
793. Internati onal Actuarial Association	International	No	**Answer:** As stated earlier in the response to Q56, the IAA supports sector-wide monitoring however cost/benefit analysis of any data gathering needs to be carefully considered to avoid burdening industry with few visible benefits.
794. General Insurance As sociation of J apan	Japan	No	**Answer:** Even though we need more detailed information to assess the expected costs and benefits because the proposal only shows a basic stance, excessive costs should be avoided.
795. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** ACLI does not have any data responsive to this question. We do urge the IAIS to be cognizant of the burdens placed on entities.
796. Swiss R e	Switzerland	No	**Answer:** We believe the costs to insurers would be marginal if the IAIS focused solely on the information needed to understand each insurer's level of engagement in the specific systemically risky activities. These are few (see our response to Q35 for details). The result is a targeted reduction in the level of systemically-risky activities, while, at the same time, minimizing

			unintended consequences. In doing so, the benefits would significantly outweigh the limited ones of the existing G-SII data call.
797. Prudential Financial, Inc.	United States of America	No	**Answer:** Given the broad nature of the proposal it is not possible to provide a specific or detailed assessment of costs or benefits. However, we believe that focusing the IAIS on sector-wide monitoring that is achieved through leveraging jurisdictional reporting and tools that are either in place or to be developed/implemented would serve as a mitigant to cost concerns. Conversely, employing tools that fail to accurately measure risks, e.g., the ICS or other blunt IAIS metrics that do not align with or accommodate jurisdictional measures and methods, would likely trigger unintended consequences that create costs for insurers, consumers and financial markets.
798. CNA	USA	No	**Answer:** See CNA's general comments in the response to question 1 regarding cost benefit analysis.
Q62 Do you agree with the proposal for the transparency towards participating insurers and the public? Please elaborate.			
799. International Actuarial Association	International	No	**Answer:** Yes **Comment:** The IAA is generally in favour of transparency towards participating insurers and the public. However, we caution that in the first attempts at gathering data and performing analysis, there will be initial hiccups in the selection/submission of data which need to be adequately tested for accuracy and reliability before transmission to wider audiences should occur.
800. General Insurance Association of Japan	Japan	No	**Answer:** No **Comment:** No. Although the document states that "the IAIS intends to publish aggregate trends in the Insurer Pool, as well as a summary of the sector-wide monitoring", in paragraph 177, the information should not be published unless it is truly indispensable cautiously considering its purpose and necessity. Data analysis by the IAIS is based on limited data from the Insurer Pool, which is why it does not necessarily represent the whole market trend correctly. Therefore, in some cases publication can be misleading for the markets. In addition, it should be noted that we would be required to continue data publication once we started.
801. The Life Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** To ensure transparency, the LIAJ agrees that the IAIS inform the participating insurer of their score in private.

802. America n Council of L ife Insurers	Office of General Counsel	No	**Answer:** Yes **Comment:** ACLI is a strong supporter of transparency, and that support extends to this project.
803. Swiss R e	Switzerland	No	**Answer:** Yes **Comment:** We generally agree that the process should be as transparent as possible to the participating insurers and, as necessary, to the public.
804. Prudenti al Financial, I nc.	United States of America	No	**Answer:** Yes **Comment:** We reiterate our view that individual insurers are not systemic and that the IAIS should not continue to collect data from individual insurers. Instead the IAIS should focus on leveraging aggregate information provided by jurisdictional supervisors/authorities. That said and to the extent the IAIS decides to continue the practice it should also continue the processes of providing transparency to the insurers that participate and ensuring confidentiality of the data provided. The same applies to the use of data obtained for purposes of sector-wide monitoring.
805. CNA	USA	No	**Answer:** No **Comment:** We continued to be concerned about any release of information to the public as such publication could expose confidential and/or proprietary information. Moreover, the Holistic Framework fails to provide any details of the types of information that could form part of a public disclosure proposal and, therefore, stakeholders are unable to provide meaningful input at this point in time. If a public disclosure element is included in the Holistic Framework, more detail should be released for public consultation, including details about the types of information to be disclosed and the manner and timing of such disclosure.
806. National Association of Insurance Co mmissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** The NAIC supports disclosing the results of the G-SII Assessment Exercise to firms on request as it provides companies with helpful feedback for risk management. The NAIC also supports publishing aggregated trends, as long as the results do not reveal any confidential data that were submitted by participating firms. Increased transparency is important, but the IAIS should first ensure that the data flowing into sector-wide trends and any resulting analyses is credible.

Q63 Are there any further considerations on Section 4? Please elaborate.			
807. General Insurance Association of Japan	Japan	No	**Answer:** No.
808. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No.
809. Monetary Authority of Singapore (MAS)	Singapore	No	**Answer:** We are of the view that it is useful to have a null set, such that if ever any insurer reaches similar levels of systemic risk as AIG during the 2008 crisis, the IAIS can still recommend that FSB publicly designate this insurer as a G-SII, and impose standardized HLA on it. The presence of the HLA will act as an effective deterrent from expanding its systemic footprint.
810. AIG	USA	No	**Answer:** While the proposed holistic framework is quite expansive, and in certain areas might run the risk of becoming overly prescriptive (such as in the contemplated development of factor-based quantitative liquidity metrics), the construct rightly vests jurisdictional authorities with the primary responsibility for systemic risk oversight. It is jurisdictional insurance supervisors, with on the ground insight into local market dynamics, in conjunction with their financial services regulatory peers, who are best equipped to assess percolating risks, contextualizing factors (including the role of risk mitigants), and the appropriate use of legal and supervisory intervention tools, if and when warranted. To this end, we believe the optimal end-state for the holistic framework is to provide a high-level menu of tools and a dialogue-driven mechanism for assessing risks across regions, but then to allow for jurisdictional regulators to develop more concrete measures applicable locally. In the US, the National Association of Insurance Commissioners has been developing its macro-prudential initiative (MPI) comprised of complementary pillars of liquidity stress testing, recovery and resolution planning, capital stress testing, and counterparty limits. It is important that the IAIS holistic framework continue to enable meaningful policy innovation, like the MPI, by local authorities. Indeed, the IAIS can play a useful role in helping to share and leverage experiences from the MPI and analogous jurisdictional initiatives across its membership.
811. National Association of Insurance Co	USA, NAIC	No	**Answer:** Paragraph 170 notes, "baseline monitoring can be based on data collected from national supervisors on an aggregated basis." As not all IAIS members are structured on a national basis, future IAIS work on this topic should refer to "jurisdictional supervisors".

mmissioners (NAIC)			
Q64 Do you agree with the proposed implementation assessment as described in section 5? Please elaborate.			
812. CLHIA	Canada	No	**Answer:** No **Comment:** Timeline In support of our recommendation in our answer to Question 7 to delay implementation, we are providing the following two comments: 1. At a very high level, we see similar comparability in comprehensiveness to the Insurance Capital Standard ("ICS"). We respectfully wish to point out that when the ICS project was launched in October 2013, the originally cited implementation year was 2016. Full implementation is now nine years later than originally contemplated. Also, approximately four years after the launch of the ICS, the IAIS concluded that a monitoring period was appropriate. Given the complexity of the ICS, we commend the IAIS for concluding that the monitoring period needed to be as long as five years. 2. The CLHIA believes that too much judgment, with insufficient empirical support, will need to be applied to finalize the details for policy measures for 2020, out of necessity to meet the ambitious deadline. This runs the risk of substantive amendments in years 2021 and onward, thus impairing the effectiveness of policy measures utilized in the meantime.
813. Insurance Authority (IA)	China, Hong Kong	No	**Answer:** Yes **Comment:** The draft consultation paper proposes that the IAIS would carry out an assessment on supervisors on the consistent implementation of enhanced on-going supervisory policy measures and an assessment of the application of proportionality principle. But, it is left to the discretion of supervisors in different jurisdictions to apply their own judgements to determine which insurers should be subject to enhanced supervisory policy measures based on supervisors' assessments on systemic risk brought by individual insurers. In order to achieve the IAIS' objective that the proposed supervisory policy should be consistently implemented globally and in the manner intended by the IAIS, the IAIS may consider to issue detailed guidance (e.g. an application paper) to supervisors on how to apply the enhanced policy measures in a proportionate manner and in a manner intended by the IAIS.
814. Insurance Europe	Europe	No	**Answer:** No

			Comment: Insurance Europe agrees the IAIS should ensure that the measures are consistently implemented. Improvements in the measures should be discussed as part of the annual global monitoring.
815. Global Federation of Insurance Associations	Global	No	**Answer:** No **Comment:** GFIA agrees the IAIS should ensure that the measures are consistently implemented. Improvements in the measures should be discussed as part of the annual global monitoring.
816. General Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** Yes.
817. The Life Insurance Association of Japan	Japan	No	**Answer:** Yes **Comment:** From the viewpoint of level playing field, the LIAJ agrees to a transparent implementation assessment. For implementations assessments, it should be appropriately considered to ensure proportionality within each jurisdiction in addition to the consideration of current effectively functioning policy measures.
818. American Council of Life Insurers	Office of General Counsel	No	**Answer:** No **Comment:** ACLI believes future implementation assessments must focus on substance over form and avoid attempting to supersede the decisions of jurisdictional supervisors regarding the appropriateness of a policy measure for their market or how the proportionality principle has been applied in practice. To this end, we believe the following framing within paragraph 180 would be more appropriate: “This would assess whether: i) the enhanced supervisory policy measures are embedded in the supervisory frameworks, and ii) if the measures are being applied in practice. In addition, as part of the implementation assessment the IAIS will observe how the proportionality principle is being applied in practice across jurisdictions.
819. Swiss Re	Switzerland	No	**Answer:** Yes **Comment:** We generally agree with the implementation assessment as described in section 5.
820. Aegon NV	The Netherlands	No	**Answer:** Yes

			Comment: We place a high importance on consistent implementation of the holistic framework across jurisdictions (paragraph 175), in order to achieve (1) maximum financial stability benefit, (2) easier compliance for cross-border groups, and (3) level playing field.
821. Association of British Insurers	United Kingdom	No	**Answer:** Yes **Comment:** The ABI agrees the IAIS should ensure that the measures are coherently implemented. Improvements in the measures should be discussed as part of the annual global monitoring exercise.
822. Prudential Financial, Inc.	United States of America	No	**Answer:** No **Comment:** Implementation assessments must focus on substance over form and avoid attempting to supersede the decisions of jurisdictional supervisors regarding the appropriateness of a policy measure for their market or how the proportionality principle has been applied in practice. To achieve this objective paragraph 180 should be revised to read as follows: “This would assess whether: i) the enhanced supervisory policy measures are embedded in the supervisory frameworks, and ii) if the measures are being applied in practice. In addition, as part of the implementation assessment the IAIS will observe how the proportionality principle is being applied in practice across jurisdictions”
823. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	**Answer:** No **Comment:** The NAIC is supportive of having a robust and transparent implementation assessment and the IAIS assisting supervisors who require such assistance in implementing elements of the holistic framework as long as the supervisors are the beneficiaries of the process. Assessing how jurisdictions implement the policy measures and how proportionality and supervisory discretion is being applied should help inform the IAIS as to whether its policy measures are fit for purpose and what challenges for implementation may exist in practice. However such assessments should not be used to second guess decisions and actions of jurisdictional supervisors; the role of the IAIS is an international standard setter, not the supervisor of insurance supervisors.
Q65 Is the weighting factor above appropriate? Please elaborate.			
824. Institute of International Finance	Global	No	**Answer:** The IAIS has proposed revisions to the EBA indicators, which represent an improvement to the current methodology. However, the focus should be, in the first instance, whether and to what extent an individual insurer is engaging in systemically risky activities. The indicators can then be used to help determine how risk could be transmitted to the wider global financial system and real economy.

			Measuring an insurer's activity in the derivatives market using the notional value of OTC derivatives (Paragraph 3 of Annex 1) would produce an inappropriately inflated value of those activities and is inconsistent with the net measure used in the intrafinancial assets and liabilities measure (Paragraph 1 of Annex 1). Netting is a commonly accepted and utilized method of reducing OTC derivatives exposure that is consistent with sound risk management and should not be disincented by measuring exposures on a gross basis. Net exposure is recognized with respect to the infrafinancial assets and liabilities indicator and a comparable treatment should be accorded to OTC derivatives. Table 5 proposes a combination of time restraints and economic penalties for the short-term funding and liability liquidity indicators. We would encourage the IAIS to assess liability liquidity in a more holistic manner, giving due consideration to factors such as premium payment structures and economic penalties for cancellation. The rationale for the weightings in Table 5 is not clear and some of the proposed weights could give rise to significant cliff effects.
825. Swiss Re	Switzerland	No	**Answer:** The weighting factor is largely appropriate in our view.
Q66 Is the table above from the 2016 G-SII methodology still appropriate? Please elaborate.			
826. Insurance Europe	Europe	No	**Answer:** Only focusing on economic penalties and delay in access is not a good overall proxy for liquidity risk in insurance. There are many factors that may provide disincentives for policyholders to surrender policies, including opportunity costs that cannot be adequately assessed through a simple metric. The absence of a "first mover advantage" is also an important factor, for example where surrender values can be adjusted to match market values. Insurance Europe does not consider the 2016 G-SII methodology to be appropriate and proposes that the table is removed, as it does not provide a good overall proxy for liquidity risk in insurance. Insurance Europe anticipates that the proposed development of metrics to assess insurers' liquidity risk (discussed in Paragraphs 160 to 162) will provide more insight.
827. Global Federation of Insurance Associations	Global	No	**Answer:** Only focusing on economic penalties and delay in access is not a good overall proxy for liquidity risk in insurance. There are many factors that may provide disincentives for policyholders to surrender policies, including opportunity costs that cannot be adequately assessed through a simple metric. The absence of a "first mover advantage" is also an important factor, for example where surrender values can be adjusted to match market values. GFIA does not consider the 2016 G-SII methodology to be appropriate and proposes that the table is removed, as it does not provide a good overall proxy for liquidity risk in insurance. GFIA anticipates that the proposed development of metrics to assess insurers' liquidity risk (discussed in Paragraphs 160 to 162) will provide more insight.

828. Institute of International Finance	Global	No	**Answer:** Table 5 proposes a combination of time restraints and economic penalties for the short-term funding and liability liquidity indicators. We would encourage the IAIS to assess liability liquidity in a more holistic manner, giving due consideration to factors such as premium payment structures and economic penalties for cancellation. The rationale for the weightings in Table 5 is not clear and some of the proposed weights could give rise to significant cliff effects.
829. The Life Insurance Association of Japan	Japan	No	**Answer:** The liquidity of surrender value should be assessed in a holistic manner where due consideration is paid to broader aspects including the purpose of the insurance contracts, substantial economic penalties embedded in high guaranteed rate contracts, the feature of retail and non-retail and policyholder protection schemes and mechanisms. We disagree with the matrix of Table5: combination of time restraints and economic penalties in the existing G-SIIs methodology. The matrix of Table 5 in Annex 1 does not explicitly reflect such holistic assessment. In addition, the rationale for the weightings in Table 5 is not clear and some of the proposed weights could give rise to significant cliff effects. Therefore it is not appopiriate as an important indicator. Moreover, as described in paragraph 34, If insurers do not match liquid liabilities with sufficient liquid assets, it might have liquidity risk. However, if an insurance company holds sufficient liquid assets, it would not be a source of systemic risk.Therefore it should be evaluated taking into consideration the liquidity of the asset side. In terms of legal frameworks, for instance, Japanese case that provides for liquidity support by the Deposit Insurance Corporation of Japan to the broader financial sector including insurers subject to the determination that the financial system including the financial markets is at the risk of significant disruption in order to avoid such disruption. In assessing liquidity risk, due consideration should be paid to such framework contributing to suppressing systemic risk.
830. Swiss Re	Switzerland	No	**Answer:** The table is still largely appropriate in our view.
831. Association of British Insurers	United Kingdom	No	**Answer:** Only focusing on economic penalties and delay in access is not a good overall proxy for liquidity risk in insurance. There are many factors that may provide disincentives to policy holders to surrender policies, including opportunity costs that cannot be adequately assessed through a simple metric. The absence of a "first mover advantage" is also an important factor, for example where surrender values can be adjusted to match market values. The ABI does not consider the 2016 G-SII methodology to be appropriate. We propose that the table is removed as it does not provide a good overall proxy for liquidity risk in insurance. We anticipate that the proposed development of metrics to assess insurers' liquidity risk (discussed in Paragraphs 160 to 162) will provide more insight and use.
832. National Association of	United States	No	**Answer:** See GFIA response.

Mutual Insurance Companies			