Public Consultation on the Development of Liquidity Metrics: Phase 2

Thank you for your interest in the public consultation on the Development of Liquidity Metrics: Phase 2. The Consultation Tool is available on the IAIS website from Thursday 18 November 2021 and the deadline for submitting comments is Sunday 23 January 2022.

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| **Please do not submit this document to the IAIS. All responses to the Consultation Document must be made via the Consultation Tool to enable those responses to be considered.** |

Questions:

Q1 Do you agree with the IAIS’ general objective and contemplated usage for the liquidity metrics? If not, please explain your rationale.

Comment Box

Q2 Do you want to propose an additional liquidity metric in addition to three metrics mentioned in this section? If yes, please describe a proposed metrics.

Comment Box

Q3 Do you know any public database with liquidity related data relevant for the development of liquidity metrics (either on a company level or on a jurisdictional level)?

Comment Box

Q4 Is there a need to develop supplementary liquidity metrics solely for separate accounts for both EA and CPA? If not, provide suggestions how the IAIS should monitor liquidity related to separate accounts (united-linked products) for both EA and CPA?

Comment Box

Q5 Do you prefer to collect data and calculate liquidity metrics using fungible liquidity pools approach instead of the current enterprise approach for both EA and CPA? If yes, please provide ideas on approaches to the group-wide aggregation of results.

Comment Box

Q6 Does the current enterprise approach lead to significant shortcomings of the liquidity monitoring? If yes, describe these shortcomings and limitations.

Comment Box

Q7 Do you agree with the proposal to include capital instruments in the CPA and EA metrics calculations as described in this section? If not, please provide rationale and alternative suggestions.

Comment Box

Q8 Do you prefer the detailed method for inclusion of capital instruments in the ILR calculation as described in this section? If not, please provide rationale.

Comment Box

Q9 Do you agree with the above described CPA to calculate the baseline cash flow projection, to apply the liquidity stress test and then to evaluate its impact and potential application of haircuts on assets? If not, please explain and provide suggestions.

Comment Box

Q10 Do you agree with the proposal to perform the CPA at the holding company level? If not, please explain and provide suggestions.

Comment Box

Q11 Are there any other categories of cash inflows or outflows that should be added that were not captured by the cash flow statement, such as asset management activities?

Comment Box

Q12 Do you agree with using haircuts from the ILR for assets to be applied if there is a cash flow deficit? If not, provide your explanation and suggestions.

Comment Box

Q13 Do you prefer to collect and analyse only high-level cash flow projections, ie. aggregate cash inflows and outflows of the three categories mentioned above? If yes, provide your clarification.

Comment Box

Q14 Do you prefer to collect and analyse the underlying cash inflows and outflows as listed in Annex 2? Note that this option provides more accuracy at the cost of a higher reporting burden. If yes, explain your reasoning.

Comment Box

Q15 Do you have any suggestions for changes or additions to the inflows and outflows as listed in Annex 2?

Comment Box

Q16 Do you agree with the proposed main types of cash outflows as specified in this section? If not, please provide clarification and suggestions for other outflows that should be considered.

Comment Box

Q17 Do you agree with the three proposed time horizons (30 days, 90 days and 1-year) for the CPA? If not, please explain and provide your suggestions.

Comment Box

Q18 Do you think the investing section of the cash flow statement should be stressed in the LST? Would you add or subtract certain investing cash inflows or outflows as listed in Annex 2?

Comment Box

Q19 Do you think the operating section of the cash flow statement should be stressed in the LST? Would you add or subtract certain operating cash inflows or outflows as listed in Annex 2?

Comment Box

Q20 Do you think the financing section of the cash flow statement should be stressed in the LST? Would you add or subtract certain financing cash inflows or outflows as listed in Annex 2?

Comment Box

Q21 Do you agree with the selected adverse liquidity stress scenario? If not, provide clarification.

Comment Box

Q22 Do you want to propose a different liquidity stress scenario? If yes, provide its detailed parameters.

Comment Box

Q23 Do you agree with the proposed adverse GDP and market parameters? If not, provide clarification and suggestions.

Comment Box

Q24 Do you agree that CPA adverse scenario should contain adverse parameters related to insurance liabilities? If yes, do you have any suggestions for adverse parameters for cash outflows related to insurance liabilities?

Comment Box

Q25 Do you want to add other variables and parameters into the adverse liquidity stress scenario? If yes, provide suggestions.

Comment Box

Q26 Do you prefer to have several targeted stressed scenarios/projections (in comparison to the currently proposed one combined adverse scenario)?

Comment Box

Q27 Do you believe the selected adverse liquidity scenario is relevant to the countries you operate in? If not, what would be the relevant stresses for the countries you operate in?

Comment Box

Q28 Do you agree with the summary of benefits and limitations of the CPA? If not, please provide some clarification.

Comment Box

Q29 Do you agree with the consideration of differences in liquidity profiles of life insurers, non-life insurers and reinsurers in the ILR liquidity needs factors? If not, please explain and provide your suggestions.

Comment Box

Q30 Do you agree with the use of two time horizons for the EA: 1-year and 3-month time horizons? If not, please explain and provide your suggestions.

Comment Box

Q31 Do you prefer to calculate 3-month time horizon similarly to the BCBS’ LCR, ie. 3-month ILR liquidity sources (as defined in the Table 5) will be divided by net 3-month cash outflows (a difference between cash outflows and inflows from all operating, financing and funding activities as defined in the Chapter 2)? If not provide your comments.

Comment Box

Q32 Do you agree with the proposed approach to financials? If not, please explain and provide your suggestions.

Comment Box

Q33 Do you agree with the proposed approach to investment funds? If not, please explain and provide your suggestions.

Comment Box

Q34 Do you agree with the proposed factors for sovereign/PSE/GSE debt instruments? If not, please explain and provide your suggestions.

Comment Box

Q35 Do you agree with the proposed factors for non-financial corporate debt instruments (including covered bonds)? If not, please explain and provide your suggestions.

Comment Box

Q36 Do you agree with the proposed factors for financial corporate debt instruments? If not, please explain and provide your suggestions.

Comment Box

Q37 Do you agree with the proposed factors for common equity (both financials and non-financials)? If not, please explain and provide your suggestions.

Comment Box

Q38 Do you agree with the proposed factors for selected liquid investment funds? If not, please explain and provide your suggestions.

Comment Box

Q39 Do you agree with the proposed factors for non-life premiums? If not, please explain and provide your suggestions.

Comment Box

Q40 Do you agree with the proposed factors for certificates of deposit and undrawn committed lines? If not, please explain and provide your suggestions.

Comment Box

Q41 Do you agree with the proposed factors differentiation between 3-month and 1-year time horizons? If not, please explain and provide your suggestions.

Comment Box

Q42 Do you think any additional relevant liquidity source should be considered in the ILR calculation? If yes, please explain and provide your suggestions.

Comment Box

Q43 Do you prefer to conduct a detailed recalibration of factors for surrender values based on historical surrender rates of participating insurers? Such a recalibration would be a substantial reporting burden.

Comment Box

Q44 Do you agree with the proposed 3-month time horizon factors? If not, provide your explanation and suggestions.

Comment Box

Q45 Do you agree with the proposed factors for non-life claims and expenses? If not, please explain and provide your suggestions.

Comment Box

Q46 Do you agree that life premiums, claims and expenses are currently not included in the ILR? If not, please provide clarification.

Comment Box

Q47 Do you agree with the proposed factors for reserving risk? If not, please explain and provide your suggestions.

Comment Box

Q48 Do you agree with the proposed factors for unearned premiums? If not, please explain and provide your suggestions.

Comment Box

Q49 Do you agree with the proposed approach for reinsurance recoveries? If not, please explain and provide your suggestions.

Comment Box

Q50 Do you agree with the refined factors for catastrophe claim payments? If not, please explain and provide your suggestions.

Comment Box

Q51 Do you prefer a standardized 1/250 PML scenario to be applied for catastrophe claim payments? If yes, provide your suggestions for such a scenario. The current proposal counts with 1/250 PML scenario calculated using insurers’ own projections and stress-testing.

Comment Box

Q52 Do you agree with the IAIS proposal to consider DGS in the ILR factors for bank deposits? Please provide your comments and suggestions.

Comment Box

Q53 Do you agree with the 3-month time horizon ILR factors for bank deposits? If not, provide your comments and suggestions.

Comment Box

Q54 Do you agree that there is currently no liquidity need considered for the non-financial type of business that some insurance groups may conduct? If not, please provide your suggestions.

Comment Box

Q55 Do you agree with the inclusion of derivative assets into the ILR Liquidity Sources? If not, please explain and provide your clarification. If yes, provide your suggestions on factors for such derivative assets.

Comment Box

Q55 Do you agree with the current IAIS proposal to include only cash collateral into the Eligible Cash Variation Margin? If not, provide your comments and suggestions.

Comment Box

Q57 Do you agree with the 3-month time horizon ILR treatment of and factors for derivatives? If not, provide your comments and suggestions.

Comment Box

Q58 Do you agree with the floor as proposed by the IAIS to protect a level-playing field for all insurers? If not, provide your comments and suggestions.

Comment Box

Q59 Do you agree with the proposed approach to securities lending transactions and repurchase agreements including the factors? If not, provide your comments and suggestions.

Comment Box

Q60 Do you agree with the 3-month time horizon ILR factors for other funding liabilities and potential liquidity needs? If not, provide your comments and suggestions.

Comment Box

Q61 Do you agree with the proposed factors for operational and cyber risk? If not, please explain and suggest an alternative treatment.

Comment Box

Q62 Did the IAIS omit any other material type of insurance, non-insurance or operational liquidity needs that should be considered in the ILR calculation? If yes, provide your suggestions.

Comment Box

Q63 Do you agree with the description of aspects of other liquidity metrics provided in Section 4?

Comment Box

Q64 Do you want to propose any other liquidity metric for liquidity risk monitoring that is not mentioned in sections 2, 3 and 4 of this document? If yes, please elaborate on its calculation and data requirements.

Comment Box

Q65 Do you prefer a set of liquidity metrics for liquidity risk monitoring purposes? If not, provide clarification.

Comment Box

Q66 Do you prefer a single liquidity metric (eg. ILR or CPA metrics) for liquidity risk monitoring purposes? If not, provide clarification.

Comment Box

Q67 General comments on the Public Consultation Document on the Development of Liquidity Metrics: Phase 2

Comment Box