IAIS Consultations

Print view of your comments on "Holistic Framework for Systemic Risk in the Insurance Sector" - Date: 25.01.2019, Time: 18:38

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Treat my comments as confidential	No

	Question
	Q1 Is the list of key exposures that may lead to a systemic impact and its description appropriate? Please elaborate.
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.

Q2 Are there any other key exposures that are missing? Please elaborate.

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.

Q3 Is the description of the transmission channels of systemic risk appropriate? Please elaborate.

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.

Q4 Are any key transmission channels missing? Please elaborate.

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.

Q5 Are there any further considerations on Section 2? Please elaborate.

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.

Q6 Do you agree with the proposed scope of application and of the practical application of the proportionality principle as described above? Please elaborate.

Answer

Yes

Answer 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).

Q7 Do you have any other comments on the introductory description of the supervisory policy measures as described in section 3.1? Please elaborate.

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.

Q8 Do you agree with the above proposal to amend the Standards and Guidance on supervisory review and reporting framework? Please elaborate.

Answer

Yes

Answer 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.

Q9 Do you agree with the above proposal to amend the Standards and Guidance on macroprudential surveillance? Please elaborate.

Answer

Yes

Answer 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.

Q10 Do you agree with the above proposal to amend the Standards and Guidance on macroprudential surveillance? Please elaborate.

Answer

Yes

Answer 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.

Q11 What should be the role of supervisory stress testing? Please elaborate.

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.

Q12 Is the development of an Application Paper on macroprudential surveillance deemed useful? Please elaborate.

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).

Q13 What elements could be addressed in such an Application Paper?

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.

Q14 Are the proposals on macroprudential surveillance as described in section 3.2 appropriate? Please elaborate.

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.

Q15 What are the expected costs and benefits of the proposals on macroprudential surveillance as discussed in section 3.2?

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.

Q16 Do you agree with the above proposal to amend the Standards and Guidance on ERM? Please elaborate.

Answer

Yes

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.

Answer

Yes

Answer 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.

Q18 Do you agree with the above proposal to amend the Standards and Guidance on disclosure? Please elaborate.

Answer

No

Answer 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.

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.

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.

Q20 Are the proposals in 3.3.1 on liquidity risk appropriate? Please elaborate.

Answer

See our response to Question 18.

Q21 Do you agree with the above proposal to amend the Standards and Guidance on macroeconomic exposure and ERM? Please elaborate.

Answer

Yes

Answer 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.

Q22 Are the proposals in 3.3.2 on macroeconomic exposure appropriate? Please elaborate.

Answer

Yes.

Q23 Do you agree with the above proposal to amend the Standards and Guidance on counterparty exposure? Please elaborate.

Answer

No

Answer 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."

Q24 Are the proposals in 3.3.3 on counterparty exposure appropriate? Please elaborate.

Answer

Yes, recognizing our comment to Q23.

Q25 What are the expected costs and benefits of the proposals on on-going supervisory policy measures as discussed in section 3.3?

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.

Q26 Do you agree with the proposals on supervisory coordination, including CMGs? Please elaborate.

Answer

Yes

Q27 Do you agree with the proposals on recovery planning? Please elaborate.

Answer

Yes

Answer Comment

The IAA has comments on recovery planning which are included in its response to the separate Recovery Planning Consultation.

Q28 Do you agree with the proposals on resolution planning? Please elaborate.

Answer

Yes

Answer 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.

Q29 Are the proposals as discussed in section 3.4 on crisis management and planning appropriate? Please elaborate.

Answer

Yes

Q30 Do you agree with the above proposal to amend the Standard on powers of intervention based on macroprudential surveillance? Please elaborate.

Answer

Yes

Q31 Do you agree with the above proposal to amend the Standards and Guidance on preventive and corrective measures? Please elaborate.

Answer

Yes

Answer 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.

Q32 Are the proposals in section 3.5 on powers of intervention appropriate? Please elaborate.

Answer

Yes.

Q33 What are the expected costs and benefits of the proposals on powers of intervention in section 3.5?

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.

	Q34 Are there any further considerations on Section 3? Please elaborate.
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.

	Q35 Do you agree with the approach to the global monitoring exercise as described above? Please elaborate.
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.

	Q36 Should the IAIS consider changing the identification process and criteria for the selection of insurers for inclusion in the data assessment? Please elaborate.
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.

	Q37 How should these criteria compare to the criteria used to determine whether an insurance group is an IAIG? Please elaborate.
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.

	Q38 Are the proposed changes to the Intra-financial assets (IFA) and Intra-financial liabilities (IFL) indicators appropriate? Please explain.
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.

	Q39 Are the proposed changes to the Derivatives indicator appropriate? Please explain.
Answer	
	Q40 Are the proposed changes to the Level 3 assets indicator appropriate? Please explain.
Answer	
	Q41 Are the proposed changes to the Derivatives indicator appropriate? Please explain.
Answer	
	Q42 Are the proposed changes to the Short term funding (STF) and Liability Liquidity (LL) indicator appropriate? Please explain.
Answer	
	Q43 Is the proposal to drop the Non-policy holder liabilities and non-insurance revenues and Turnover indicators appropriate? Please explain.
Answer	
	Q44 Are the suggested changes to the indicators appropriate in improving the consistency with the banking methodology? Please elaborate.
Answer	
	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
Answer	
	Q46 Are the proposed changes to the weighting scheme appropriate? Please explain.
Answer	
	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.
Answer	Yes
Answer Comment	The IAA agrees with the move towards a more absolute approach for the reasons given.
	Q48 Are there other considerations on the cross-sectoral analysis? Please elaborate.
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.
	Q49 Are there other, additional analyses that the IAIS should apply to support the assessment? Please elaborate.
Answer	
	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.

Answer Yes

Answer 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.

Q51 Are there any considerations on the criteria that may be used to trigger further analysis or specific discussions within the IAIS? Please elaborate.

Answer

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?

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.

Q53 Are there any other ancillary indicators that the IAIS should consider?

Answer

Q54 Are there ancillary indicators that should be dropped?

Answer

Q55 What are the expected costs and benefits of the proposals on individual insurance monitoring as discussed in section 4.1?

Answer

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.

Answer Yes

Answer 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.

Q57 Do you have additional suggestions on how to identify levels and trends for the sector-wide assessment of systemic risk? Please elaborate.

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.

	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.
Answer	No
Answer 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.

	Q59 Do you have alternative suggestions on how to identify appropriate samples for the additional sector-wide data collection of systemic risk?
Answer	The IAA has no specific suggestions at this time but would be pleased to provide assistance/advice as the IAIS work progresses.

	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.
Answer	

	Q61 What are the expected costs and benefits of the proposals on sector-wide monitoring as discussed in section 4.2?
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.

	Q62 Do you agree with the proposal for the transparency towards participating insurers and the public? Please elaborate.
Answer	Yes
Answer 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.

	Q63 Are there any further considerations on Section 4? Please elaborate.
Answer	

	Q64 Do you agree with the proposed implementation assessment as described in section 5? Please elaborate.
Answer	

	Q65 Is the weighting factor above appropriate? Please elaborate.
Answer	

	Q66 Is the table above from the 2016 G-SII methodology still appropriate? Please elaborate.
Answer	