Resolution of public consultation comments on ancillary risk indicators in the Global Monitoring Exercise

27 November 2024 to 3 February 2025

Question 1: Do you have any views on the proposed definitions of the metrics on investments by credit rating (CRE.1.a and CRE.1.b)? If you would recommend changes, please provide revised definitions and technical specifications.		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	We agree. No further comments.	Noted.
Financial Sector Conduct Authority, South Africa	We do not have any views (the metrics makes sense)	Noted.
Monetary Authority of Singapore, Singapore	We note that the rating of the investment is to follow the classification outlined in Table 2. We also noted from the 2024 GME that there remains a high proportion of unrated securities for Asia. This is likely to be due to: 1. In some jurisdictions, unrated securities are largely held in public sector entities which may be of very good quality even though not rated, it may be too punitive to treat these as ""unrated"". 2. Some jurisdictions may allow the use of internal credit rating process (ICRP) where insurers can use the scoresheets developed by or with recognised external credit rating agency to internally rate the bond. We noted from the IIM instructions that internal ratings may be used for loans and mortgages, but silent on other types of assets. Given so, IAIS may wish to consider (i) whether there is a need to allow for some recognition of unrated securities that may be of very good quality and (ii) allowing the recognition of ICRP if their regulators allow. This would result in greater consistency in the comparison across jurisdictions.	The proposed methodology considers the fact that a share of the unrated credit investments are good quality securities. Allowing for internal credit rating would therefore imply to review the proposed parameters as it would affect the composition of the unrated securities bucket.

Question 2: Do you have any views on the proposed definitions of the metrics on credit risk scenario analysis (CRE.2.a, CRE.2.b and CRE.2.c)? If you would recommend changes, please provide revised definitions and technical specifications.

Organisation	Comment received	IAIS response
Financial Services Commission, Mauritius	We agree. No further comments.	Noted.
Financial Sector Conduct Authority, South Africa	We do not have any views (the metrics makes sense)	Noted.

Question 3: Do you have any views on the proposed default and recovery rates in the credit risk scenario analysis (Table 3)? If you would recommend changes, please provide the data sources.		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	Information on default rates are not currently available at our end.	Noted.
Financial Sector Conduct Authority, South Africa	We are uncertain why the recovery rates for Sovereigns, Corporate bonds, and loans and mortgages are the same when these three asset classes have different risk profiles and why the default rates for corporate bonds, securitisations and loans and mortgages are also the same. Given that we do not have a view of how the default and recovery rates are calculated, confirm if the default and recovery rates are through the cycle, please include the start and end date for the business cycle used?	Noted. The general approach regarding the recovery rates used was to retain simple and homogeneous hypotheses to provide more meaningful results than a more complex approach which might require additional data to be collected. This indicator should however not be seen as a precise economic

		valuation of the potential losses.
General Insurance Association of Japan, Japan	As the assumptions used in the calculation of the data produced by S&P are unclear, it is difficult to determine whether the proposal is appropriate or not. However, if the data is based on historical default and recovery rates, etc., we do not see any particular need to change the current proposal.	Noted. The general approach regarding the recovery rates used was to retain simple and homogeneous hypotheses to provide more meaningful results than a more complex approach which might require additional data to be collected. This indicator should however not be seen as a precise economic valuation of the potential losses.
Monetary Authority of Singapore, Singapore	We note that the recovery rates proposed for the various asset classes excluding securitization is a flat 70% and that the data sources are from Global Credit Data and S&P Global. However, we understand that other sources e.g. Moody's Default and Recovery reports noted a variation in recovery rates by credit rating. Given so, IAIS may wish to vary the recovery rates by credit rating.	Noted. The general approach regarding the recovery rates used was to retain simple and homogeneous hypotheses to provide more meaningful results than a more complex approach which might require additional data to be collected. This indicator should however not be seen as a precise economic valuation of the potential losses.

GFIA - Global Federation of Insurance Association, Global	As the assumptions used in the calculation of the data produced by S&P are unclear, it is difficult to determine whether the proposal is appropriate or not. However, should the data be based on historical default and recovery rates, GFIA does not see any need to change the current proposal.	Noted. The general approach regarding the recovery rates used was to retain simple and homogeneous hypotheses to provide more meaningful results than a more complex approach which might require additional data to be collected. This indicator should however not be seen as a precise economic valuation of the potential losses.

Question 4: Is the current level of granularity of collected data in the IIM template (asset class, credit rating) adequate to monitor an insurers' credit risk exposure, taking into account the reporting burden of any potential increased granularity?		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	Granular details to be collected should be in line with IFRS 17 requirements.	The IIM insurer pool consists of global insurers of which not all reports under IFRS. The IAIS will endeavour to ensure that, to the extent possible, requested data items are available and accompanied by suitable technical specifications.

Financial Sector Conduct Authority, South Africa	Yes , the current level of granularity of the data collected is adequate.	Noted.
National Association of Insurance Commissioners (NAIC), USA	No additional granularity is needed. Recommend a review to reduce granularity and reporting burden, e.g., removing data by asset class. Individual insurer credit risk is an insurer responsibility with prudential supervisory oversight, that should not be duplicated in detail via annual IAIS global monitoring.	The current granularity is deemed to be a reasonable compromise. Reducing further the granularity would strongly affect the interpretability of the collected data.
General Insurance Association of Japan, Japan	The current level of granularity is adequate.	Noted.
American Council of Life Insurers, United States of America	ACLI recommends not increasing the level of granularity for the metrics.	Noted.
GFIA - Global Federation of Insurance Association, Global	GFIA considers the current level of granularity to be accurate and should not be increased.	Noted.
The Geneva Association, International	We appreciate the role of the IIM framework and support the IIM and GME as a thoughtful alternative to systemic risk designations. However, examining isolated metrics or data points about the size or extent of certain activities, without considering the role of these activities in managing risk, may lead to an incomplete understanding of their systemic impact. While we understand that as the sector evolves, there is a need for the IIM framework to evolve alongside, and we encourage the IAIS to balance the introduction of new indicators with a review of existing ones, ensuring the framework remains efficient and focused on meaningful insights and the size of the template stays stable over time. In this regard, we would like to highlight that the size of the reporting template has increased significantly, with the 2023 version containing 50% more data cells than in 2019, despite no corresponding increase in systemic risk within the insurance sector to justify this expansion. Moreover, only an estimated 15% of the quantitative data collected is utilised for the IIM dashboard	The current granularity of the data collection is deemed a reasonable and necessary compromise to enable the IAIS to fulfil the objectives of the GME (paragraph 4 of the GME document available here) effectively, while minimising the reporting burden on insurers. This includes

	focused on systemic risk. We also raise concerns about the growing trend of requesting non-disclosed, non-audited data, which insurers must produce solely for this data collection effort. These additional requirements place a significant burden on insurers and result in data that is less comparable than traditional financial metrics. We urge the IAIS to reconsider this approach to work with the industry to identify useful and reliable data that can be produced with a reasonable effort.	carefully assessing the size of the reporting template and the availability of relevant data.

Question 5: Do you have any other comments on the proposed ancillary indicator on credit risk?

Organisation	Comment received	IAIS response
Financial Services Commission, Mauritius	Information on default rates is not currently available at our end.	Noted.
Financial Sector Conduct Authority, South Africa	No other comments.	Noted.
National Association of Insurance Commissioners (NAIC), USA	Table 2, pages 7 and 8: For accuracy, in the NAIC column, add a “1” in Rows 1 and 2 and update Row 7 to read, “5/6” instead of “5.”	Noted. Changes have been made accordingly.

Question 6: Do you have any views on the proposed definitions of the metrics on relative usage of derivatives (DER.1.a, DER.1.b, DER.1.c, DER.1.d and DER.1.e)? If you would recommend changes, please provide revised definitions and technical specifications.

Organisation	Comment received	IAIS response
Financial Services Commission, Mauritius	No comment	Noted.
Financial Sector Conduct Authority, South Africa	DER.1.d: The sum of fair value of derivatives assets and liabilities divided by GNA compares the market value of derivatives to their GNA, reflecting the extent to which these positions are in or out of the money. A high value suggests greater sensitivity to market movements and potential risk amplification. Please emphasise that absolute amounts are to be utilised to achieve the intended objective. DER.1.e: GNA shares of derivatives' types (IRR, FX, equity, reinsurance, credit risk) – Please confirm how GNA shares of derivative reinsurance is to be considered.	DER.1.d : The aim of the indicator is to capture the overall position of the derivative portfolio. Using the absolute values would prevent compensation between the different positions. DER1.e. The derivatives related to (life) reinsurance would be captured through IIM.75.5. No derivatives should be excluded from the indicator as the remaining unaffected derivatives should be reported in "Other derivatives" in IIM.75.6.
American Council of Life Insurers, United States of America	ACLI appreciates the transparency provided on the metrics and information going into the calculations to evaluate derivatives usage but we have a few comments and suggestions to offer. The metrics provided in the consultation seek to address "interconnectedness and counterparty risk transmission channels" through evaluating insurers rather than counterparties. ACLI believes supervisors will have difficulty evaluating the holistic and systemic risks from looking at data insurers provide on derivatives use. Insurers primarily utilize derivatives to hedge risks, which should be encouraged. On DER. 1.e., collecting data on the gross notional amount of derivatives utilized does not provide any indication of the systemic risk counterparties in this market environment may pose to insurers and the global financial markets. The gross notional amount of derivatives will potentially provide an inflated view of derivative volumes since it fails to recognize that in practice many of these derivative positions will be	As outlined in the public consultation document, defining indicators to measure risks associated with the use of derivatives is inherently complex. The IAIS considers that achieving a comprehensive understanding of a company's situation

	offset by market positions elsewhere on the IAIG balance sheet e.g. the use of long and short derivative positions to achieve a desired net market exposure on the asset side of the balance sheet, or the use of derivative positions on the asset side of the balance sheet to offset market exposures on the liability side (aka hedging). In addition, we point out that the "Max 10-day VM Call" data used as the numerator on liquidity risk metrics is not as precise of an indicator on liquidity as compared to liquidity stress testing. Further, these metrics are not indicative of systemic risk and ACLI is unsure how this information calculated in this way can provide insurance supervisors with useful information that insurers can use to intervene and minimize these risks. Although these metrics may indicate trends across global financial markets, we strongly caution the IAIS to not endorse these metrics for company specific risk modeling for any supervising body at a national level. These metrics do not capture actual risk offsets between trades, which is why we recommend stress testing throughout our comments as a better measure of such risk.	requires a combination of several indicators. The ancillary indicators have been developed to provide additional information on individual insurers, not as a binding requirement. For example, while the market value of derivatives may appear small, the gross notional amount could be significant. Similarly, a high notional value for OTC derivatives may result from transaction stacking to settle an initial position. To address these nuances, the IAIS has adopted a broad approach by defining a range of indicators that collectively provide insights into the various dimensions of derivatives usage. This approach ensures a more holistic view of potential risks while recognising the limitations of individual metrics.
GFIA - Global Federation of Insurance Association, Global	The metrics provided in the consultation seek to address "interconnectedness and counterparty risk transmission channels" by evaluating insurers rather than counterparties. GFIA expects that supervisors will have difficulty evaluating the holistic and systemic risks from looking at data insurers provide on derivatives use. Insurers primarily use derivatives to hedge risks, which should be encouraged.	As outlined in the public consultation document, defining indicators to measure risks associated with the use of derivatives is inherently complex. The

	On DER 1.e, collecting data on the gross notional amount of derivatives may be inflated due to the joint use of derivatives positions to achieve hedging results. The metrics should be tailored down to highlight the net use of derivatives and hedged derivatives. In addition, GFIA notes out that the "Max 10-day VM Call" data used as the numerator on liquidity risk metrics is not as precise of an indicator on liquidity as compared to liquidity stress testing. Furthermore, these metrics are not indicative of systemic risk and GFIA is unsure how this information calculated in this way can provide insurance supervisors with useful information that insurers can use to intervene and minimise these risks. Although these metrics may indicate trends across global financial markets, GFIA strongly cautions the IAIS to not endorse these metrics for company specific risk modelling for any supervising body at a national level. These metrics do not capture actual risk offsets between trades.	IAIS considers that achieving a comprehensive understanding of a company's situation requires a combination of several indicators. For example, while the market value of derivatives may appear small, the gross notional amount could be significant. Similarly, a high notional value for OTC derivatives may result from transaction stacking to settle an initial position. To address these nuances, the IAIS has adopted a broad approach by defining a range of indicators that collectively provide insights into the various dimensions of derivatives usage. This approach ensures a more holistic view of potential risks while recognising the limitations of individual metrics.

Question 7: Do you have any views on the proposed definition of the metric on PFE of derivatives (DER.2.a)? If you would recommend changes, please provide a revised definition and technical specifications.		
Organisation	**Comment received**	**IAIS response**

Financial Services Commission, Mauritius	No comment	Noted.
Monetary Authority of Singapore, Singapore	We note from the 2024 IIM technical specifications that PFE is computed by "multiplying the notional principal amount of derivatives by a factor depending on the type of derivative and residual maturity". As the factors are set by IAIS and would have a huge impact on the ratio computed, we suggest for IAIS to provide some information on how the factors are derived and how regularly these factors would be updated in the technical specifications.	The PFE indicator is designed to provide a high-level view of potential future exposures and is interpreted in conjunction with other available data (IIM.40.B.1 to IIM.40.B.2.a.1). The IAIS currently has no plans for an update of these factors.

Question 8: Do you have any views on the proposed definition of the metric on materiality of OTC derivatives (DER.3.a)? If you would recommend changes, please provide a revised definition and technical specifications.

Organisation	Comment received	IAIS response
Financial Services Commission, Mauritius	No comment	Noted.
GFIA - Global Federation of Insurance Association, Global	Indicator DER.3.a requires the availability of data from the SWM.S41.G template, which is not available to participating companies as it is only produced by the supervisory authorities. The calculation of this indicator is therefore not feasible under the arrangements envisaged by the consultation document.	Noted regarding the difference in the scope. The SWM template is indeed internal to IAIS members.
Insurance Europe, Europe	Indicator DER.3.a requires data from the SWM.S41.G template, which is only produced by the supervisory authorities and is unavailable to participating companies. As a result, calculating this indicator is not feasible under the arrangements proposed in the consultation document.	Noted regarding the difference in the scope. The SWM template is indeed internal to IAIS members.

Question 9: Do you have any views on the proposed definitions of the metrics on margin and collateral calls (DER.4.a, DER.4.b and DER.4.c)? If you would recommend changes, please provide revised definitions and technical specifications.		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	No comment	Noted.
Monetary Authority of Singapore, Singapore	We note that the metrics is to be based on '10-day' and would like to query on how the duration is set. Further, we would like to check if IAIS is referring to '10-trading days' i.e. consistent with the definition used for PFE in the IIM technical specifications.	Noted. The IAIS will take this comment under consideration for future enhancements to the technical specifications.

Question 10: Do you have any views on the proposed definition of the metric on central clearing (DER.5.a)? If you would recommend changes, please provide a revised definition and technical specifications.		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	No comment	Noted.

Question 11: Do you have any views on the proposed definition of the metric on hedging (DER.6.a)? If you would recommend changes, please provide a revised definition and technical specifications.		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	No comment	Noted.

Monetary Authority of Singapore, Singapore	Give that the concern is over the use of derivatives for non-hedging purposes, we suggest for IAIS to monitor the ratio of 1 - Der.6.a instead so it's more aligned to the purpose.	The indicator as defined in the public consultation will be maintained and will be interpreted in line with the objective of monitoring non-hedging activities.

Question 12: Do you have any other comments on the proposed ancillary indicator on derivatives?		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	The pricing and risk of under/over pricing derivatives may be covered in more details	Noted. It is not possible to consider these aspects under the current granularity of data collected.
Financial Sector Conduct Authority, South Africa	Would there be the possibility of considering the impact of collateral on the reduction of derivative exposure in these metrics?	It is not possible to consider the impact of collateral under the current granularity of data collected.
General Insurance Association of Japan, Japan	We would ask supervisors to understand that as some insurers do not have the requested data, and it would be unduly burdensome to calculate it solely for this purpose, they may not be able to report.	Noted.
GFIA - Global Federation of Insurance Association, Global	The vast majority of derivative usage in the insurance sector is for efficient portfolio management or hedging purposes. While the use of derivatives can create or amplify other risks, notably liquidity risks, their use in insurers' portfolios is much more likely to help mitigate systemic risks rather than create or amplify them. Careful monitoring of derivative exposures and the risks that they can bring is justified and within the scope of the Holisitic Framework. However, supervisors should not systematically discourage the use of derivatives for portfolio management or hedging purposes. While none of the proposed metrics give rise to significant concerns on an individual basis, the inclusion of 12 metrics does appear to be slightly excessive and could create challenges in interpretation of the data. In addition, given some insurers do not produce the required data as standard, and as it would be	As outlined in the public consultation document, defining indicators to measure risks associated with the use of derivatives is inherently complex. To address these nuances, the IAIS has adopted a broad approach by defining a range of indicators that collectively provide insights

	unduly burdensome to calculate it for this purpose only, GFIA would welcome understanding from supervisors that not all insurers may be able to submit the requested data.	into the various dimensions of derivatives usage. This approach ensures a more holistic view of potential risks while recognising the limitations of individual metrics.
Insurance Europe, Europe	Most of the derivative usage in the insurance sector is for efficient portfolio management or hedging purposes. While the use of derivatives can create or amplify other risks, notably liquidity risks, their use in insurers' portfolios is much more likely to help mitigate systemic risks rather than create or amplify them. Careful monitoring of derivative exposures and the risks that they can bring is justified and within the scope of the Holistic Framework. However, supervisors should not systematically discourage the use of derivatives for portfolio management or hedging purposes. While none of the proposed metrics give rise to significant concerns on an individual basis, the inclusion of 12 metrics seems excessive and could create challenges in interpretation of the data. Additionally, as some insurers do not produce the required data as standard, and calculating it solely for this purpose would be unduly burdensome, Insurance Europe would welcomes supervisors' understanding that not all insurers may be able to submit the requested data.	As outlined in the public consultation document, defining indicators to measure risks associated with the use of derivatives is inherently complex. To address these nuances, the IAIS has adopted a broad approach by defining a range of indicators that collectively provide insights into the various dimensions of derivatives usage. This approach ensures a more holistic view of potential risks while recognising the limitations of individual metrics.
The Geneva Association, International	The IAIS's approach to derivatives and reinsurance appears to adopt a negative lens, implying that greater use of these tools correlates with increased risk. This perspective seems to echo narratives from the financial crisis, overlooking the primary purpose of these instruments: spreading and managing risk across the system. More specifically, section 3.2.1 suggests that a high ratio of Gross Notional Amount (of derivatives) to assets "may indicate […] vulnerability to market fluctuations." This ignores the risk management rationale that underlies most of the derivative usage. Derivatives are crucial for offsetting risks on a company's balance sheet, serving as tools for risk mitigation rather than amplifying systemic vulnerability. As for reinsurance, section 4.2 is titled "Reliance on Reinsurance". The framing is negative, suggesting that it would be preferable for reinsurance not to be	The concerns are noted, and the IAIS fully recognises the importance of derivatives and reinsurance as risk mitigants. The ancillary risk indicators in GME are not intended to be used to calculate the

	used. The indicators introduced suggest that entities with higher exposure or ratios of derivatives or reinsurance could pose threats to financial stability. Such a characterization fails to adequately recognize the risk management benefits these tools provide. Companies employing derivatives or reinsurance to mitigate risk should not automatically be viewed as inherently riskier. Discouraging proven mechanisms that effectively enhance financial stability by enabling more efficient risk diversification would contradict the holistic framework's stated objective.	systemic footprint of individual insurers, but rather to provide additional context focusing on certain risks and activities of individual insurers. As outlined in the public consultation document, defining indicators to measure risks associated with the use of derivatives is inherently complex. To address these nuances, the IAIS has adopted a broad approach by defining a range of indicators that collectively provide insights into the various dimensions of derivatives usage. This approach ensures a more holistic view of potential risks while recognising the limitations of individual metrics. See also the response in question 13.

Question 13: Do you have any views on the proposed definitions of the metrics on reliance on reinsurance (RE.1.a and RE.1.b)? If you would recommend changes, please provide revised definitions and technical specifications.		
Organisation	**Comment received**	**IAIS response**

Financial Services Commission, Mauritius	No comment	Noted.
General Insurance Association of Japan, Japan	RE.1.b: In light of the aim of the metrics, which is to measure "reliance on reinsurance", one option would be to exclude cessions to reinsurance pools, which is mandated by jurisdictional regulations. However, the feasibility of providing the relevant data has not yet been considered.	As the data availability is unclear and the proposal may increase the reporting burden for insurers, no amendment is considered at this stage.
American Council of Life Insurers, United States of America	See general response in question 16 regarding capacity versus utilization.	Refer to response in question 16.
Monetary Authority of Singapore, Singapore	For a holistic view on the reinsurance pertaining to life, IAIS may wish to include another indicator, collecting information on life GWP as well. The ceded premium ratio and ceded technical provision ratio offer insight into the insurer's risk management strategy and the extent of its reliance on reinsurance for life insurance, by reflecting different points in the insurance process—ceded technical provisions for future claims, and ceded premiums for current premiums. This is less important for non-life insurance as non-life business is typically shorter in duration.	Noted. Reporting of life GWP tends to be inconsistent and volatile. Technical provisions are considered to provide more meaningful metric for life reinsurance.
GFIA - Global Federation of Insurance Association, Global	Regarding the reinsurance indicators in general, GFIA welcomes the IAIS text on the importance of reinsurance in managing risks and enabling global diversification of risks. GFIA recommends that the IAIS changes the name of the indicator from "reliance" to "usage". These ratios provide high level indicators of the level of reinsurance usage, rather than dependence, and may be useful in this context. However, the results need to be cautiously interpreted as such indicators may not provide any meaningful insight into the level of systemic risk. Regarding RE.1.b, an option could be to exclude cessions to reinsurance pools, which is mandated by jurisdictional regulations. However, whether providing the relevant data is feasible remains unclear.	Noted. The indicator has been renamed to "usage". As the data availability is unclear and the proposal may increase the reporting burden for insurers, no amendment to the calculation is considered at this stage.
Insurance Europe, Europe	Regarding the reinsurance indicators, Insurance Europe welcomes the IAIS text which underlines the importance of reinsurance in managing risks and enabling the global diversification of risks. However, Insurance Europe recommends that the IAIS changes the name of the indicator from	Noted. The indicator has been renamed to "usage".

	"reliance" to "usage". These ratios provide high level indicators on the level of reinsurance usage, rather than dependence. The results also need to be cautiously interpreted, as such indicators may not provide any meaningful insight into the level of systemic risk.	

Question 14: Do you have any views on the proposed definition of the metric on cross-border life reinsurance (RE.2.a)? If you would recommend changes, please provide a revised definition and technical specifications.		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	No comment	Noted.
American Council of Life Insurers, United States of America	See general response in question 16 regarding capacity versus utilization.	Refer to response in question 16.
GFIA - Global Federation of Insurance Association, Global	GFIA welcomes the IAIS explanation of the necessity of reinsurance operating cross-border in order to achieve global diversification of risk and to help ceding companies effectively manage risks. However, GFIA would suggest removing the "to some extent" at the end of the first sentence of Paragraph 4.3 as there can never be too much geographical diversification in reinsurance. GFIA would emphasise that the cross-border metrics need to be cautiously interpreted given the effectiveness of cross-border reinsurance in diversifying risks across risk types and geographies, which will generally increase the capacity of the local insurance sectors to withstand major shock events.	The IAIS believes that the current wording appropriately recognises the value of cross-border reinsurance. The IAIS will ensure that the metrics are interpreted cautiously and in the appropriate context, as suggested.
Insurance Europe, Europe	Insurance Europe welcomes that the IAIS explains the necessity of reinsurance operating cross-border to achieve global diversification of risk and to help ceding companies effectively manage risks. However, Insurance Europe suggests removing "to some extent" at the end of the first sentence of Section 4.3, as there is no such thing as excessive geographical diversification in reinsurance. Insurance Europe again emphasise that the cross-border metrics need to be cautiously interpreted given the effectiveness of cross-border reinsurance in diversifying risks across risk types and geographies, which will generally increase the capacity of the local insurance sectors to withstand	The IAIS believes that the current wording appropriately recognises the value of cross-border reinsurance. The IAIS will ensure that the metrics are interpreted cautiously and in

	major shock events. Furthermore, the concerns on asset-intensive reinsurance appear to be primarily focused on specific markets (eg the US) and may not be globally relevant or applicable. For participants pursuing life and health business which is not asset-intensive, the cost of sourcing the data to feed the Life cross-border reinsurance indicator can be disproportionate. Proportionality should be explicitly highlighted in the technical specifications of the IIM whenever the IAIS seeks data not otherwise produced for the purpose of consolidated financial statements.	the appropriate context, as suggested.

Question 15: Do you have any views on the proposed definition of the metrics on (re)insurers' market share (RE.3.a and RE.3.b)? If you would recommend changes, please provide revised definitions and technical specifications.

Organisation	Comment received	IAIS response
Financial Services Commission, Mauritius	No comment	Noted.
American Council of Life Insurers, United States of America	See general response in question 16 regarding capacity versus utilization.	Refer to response in question 16.
Monetary Authority of Singapore, Singapore	IAIS may wish to track the market share by non-life and life. Tracking the market share as is may inadvertently result in concentration within the non-life sector business being overlooked given that life premiums are typically bigger. The existing indicators being adopted can be used for non-life business. For life business, we suggest for IAIS to track both the ceded technical provision ratio and ceded premium ratio, as per our response to Q13. Specifically for RE.3.a, we would like to check if this is supposed to be the summation of the global reinsurance premium across all jurisdictions similar to the denominator used for RE.3.b.	The indicator has been split between life and non-life. Reporting of life GWP tends to be inconsistent and volatile. Technical provisions are considered to provide more meaningful metric for life reinsurance.

		Only the denominator using the aggregate IIM Pool value has been retained.

Question 16: Do you have any additional suggestions for metrics to capture the potential build-up of any systemic risk in the reinsurance sector?		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	The possibility of risk transferring within the same group or among related entities, sharing common shareholders, or within the same sector, could be probed further.	Thank you for the suggestion. It is not possible to fully track this under the current granularity of data collected.
National Association of Insurance Commissioners (NAIC), USA	No additional suggestions for metrics capturing potential buildup of systemic risk in reinsurance.	Noted.
American Council of Life Insurers, United States of America	We note that the IAIS exposure states: "A potential reduction of reinsurance capacity could put pressure on insurers that are highly dependent on the usage of external reinsurance. Those insurers are more sensitive to reinsurance pricing and might be affected by a potential default of a reinsurer." The IAIS's proposed ratios use technical provisions and gross written premiums to assess "capacity." These ratios, which assess actual reinsurance utilization do not assess capacity, which would roughly be defined as the market's willingness and ability to meet desired reinsurance usage. Additionally, such utilization ratios do not account for diversification benefits of life and annuity policies or the bespoke nature of reinsurance transactions, including collateral and funds withheld arrangements and MODCO, between each company and counterparty. The capacity of reinsurers should be evaluated on an aggregate level, not based on individual reinsurers. Reinsuring liabilities is a risk mitigating activity. International regulators should encourage prudent risk management activities.	The concerns are noted. The ancillary indicators on reinsurance are not intended to assess the market reinsurance capacity. In general, the ancillary indicators are not used to calculate the systemic footprint of individual insurers, but rather to provide additional context focusing on certain risks and activities of individual insurers.

	We encourage the IAIS to carefully consider the use of these indicators and particularly encourage the IAIS to avoid the assumption that higher values in the ancillary indicators means higher risk or riskier behavior.	
GFIA - Global Federation of Insurance Association, Global	Reinsuring liabilities is a risk mitigating activity and international regulators should encourage prudent risk management practices. GFIA would suggest metrics for available reinsurance capacity instead of reinsurance utilisation. The capacity of reinsurers should be evaluated on an aggregate level, not based on individual reinsurers. The IAIS's proposed ratios use technical provisions and gross written premiums to assess "capacity." These ratios, which assess actual reinsurance utilisation do not appear to assess capacity, which would roughly be defined as the market's willingness and ability to meet desired reinsurance usage. Additionally, such utilisation ratios do not account for diversification benefits of life and annuity policies.	The concerns are noted. The ancillary indicators on reinsurance are not intended to assess the market reinsurance capacity. In general, the ancillary indicators are not used to calculate the systemic footprint of individual insurers, but rather to provide additional context focusing on certain risks and activities of individual insurers.

Question 17: Do you have any other comments on the ancillary indicator on reinsurance?		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	Based on data availability and regulatory burden, retrocession risk could also be considered, the quality of retrocessions.	Thank you for the suggestion. The IAIS believes that the metrics included in the ancillary indicator on reinsurance are sufficient to provide additional context on this activity, without increasing the reporting burden.

The Geneva Association, International	The IAIS's approach to derivatives and reinsurance appears to adopt a negative lens, implying that greater use of these tools correlates with increased risk. This perspective seems to echo narratives from the financial crisis, overlooking the primary purpose of these instruments: spreading and managing risk across the system. More specifically, section 3.2.1 suggests that a high ratio of Gross Notional Amount (of derivatives) to assets "may indicate […] vulnerability to market fluctuations." This ignores the risk management rationale that underlies most of the derivative usage. Derivatives are crucial for offsetting risks on a company's balance sheet, serving as tools for risk mitigation rather than amplifying systemic vulnerability. As for reinsurance, section 4.2 is titled "Reliance on Reinsurance". The framing is negative, suggesting that it would be preferable for reinsurance not to be used. The indicators introduced suggest that entities with higher exposure or ratios of derivatives or reinsurance could pose threats to financial stability. Such a characterization fails to adequately recognize the risk management benefits these tools provide. Companies employing derivatives or reinsurance to mitigate risk should not automatically be viewed as inherently riskier. Discouraging proven mechanisms that effectively enhance financial stability by enabling more efficient risk diversification would contradict the holistic framework's stated objective.	The concerns are noted, and the IAIS fully recognises the importance of derivatives and reinsurance as risk mitigants. The ancillary risk indicators in GME are not intended to be used to calculate the systemic footprint of individual insurers, but rather to provide additional context focusing on certain risks and activities of individual insurers. "Reliance on reinsurance" has been replaced by "usage of reinsurance".

Question 18: Do you have any views on the proposed definitions of the metrics on mark-to-model assets (MTM.1.a, MTM.1.b and MTM.1.c)? If you would recommend changes, please provide revised definitions and technical specifications.

Organisation	Comment received	IAIS response
Financial Services Commission, Mauritius	No	Noted.

Question 19: Would it be feasible to report data on the new proposed item on mortgages that are not included in Level 3 assets held at fair value or in assets which would be classified as Level 3 if they were held at fair value (eg mortgages

held as Level 2 assets)? If not, please describe any challenges and how to potentially overcome these.		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	The data collection should be in line with IFRS requirements.	The IIM insurer pool consists of global insurers of which not all reports under IFRS. The IAIS will endeavour to ensure that, to the extent possible, requested data items are available and accompanied by suitable technical specifications.
General Insurance Association of Japan, Japan	We would ask supervisors to understand that it is not feasible to report data on the new proposed item as some insurers do not have the requested data and would face an unduly burden of calculating it solely for this purpose.	The IAIS decided to remove the ancillary indicator on mark-to-model assets, given the large overlap with the revised Level 3 assets indicator and the difficulties experience by insurers in providing additional data items.
GFIA - Global Federation of Insurance Association, Global	GFIA would request that supervisors show understanding that some insurers do not produce the required data on the new proposed item and would face an undue burden of calculating it for this purpose only. As a result, they may find it difficult to report and may not be able to submit it.	The IAIS decided to remove the ancillary indicator on mark-to-model assets, given the large overlap with the revised Level 3 assets indicator and the difficulties experience by insurers in providing additional data items.

Question 20: Do you have any other comments on the proposed ancillary indicator on mark-to-model assets?		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	No	Noted.
American Council of Life Insurers, United States of America	ACLI appreciates that the IAIS recognized the challenges with level 3 assets and seeking greater consistency. However, the proposed mark-to-model indicator should consider the alignment of illiquid assets with illiquid liabilities. Additionally, incorporating an entity-level view of liquidity that accounts for both assets and liabilities would provide a more accurate and complete picture of insurers' financial positions. ACLI would also like to point out that among different insurers, there can be different classifications of mark-to-model assets. This may lead to misleading data.	The IAIS decided to remove the ancillary indicator on mark-to-model assets, given the large overlap with the revised Level 3 assets indicator and the difficulties experience by insurers in providing additional data items. The IAIS consulted on a potential adjustment related to the alignment of illiquid assets with illiquid liabilities in the IIM assessment methodology and decided to not proceed with such proposed adjustment given the feedback received.
GFIA - Global Federation of Insurance Association, Global	GFIA appreciates that the IAIS recognises the challenges with level 3 assets and seeks greater consistency. However, the proposed mark-to-model indicator should consider the alignment of illiquid assets with illiquid liabilities. Additionally, incorporating an entity-level view of liquidity that accounts for both assets and liabilities would provide a more accurate and complete picture of insurers' financial positions. GFIA would also like to point out that among different insurers, there can be different classifications of mark-to-model assets. This may lead to misleading data.	The IAIS decided to remove the ancillary indicator on mark-to-model assets, given the large overlap with the revised Level 3 assets indicator and the difficulties experience by insurers in

		providing additional data items. The IAIS consulted on a potential adjustment related to the alignment of illiquid assets with illiquid liabilities in the IIM assessment methodology and decided to not proceed with such proposed adjustment given the feedback received.

Question 21: Do you have any views on the proposed methodology for the correlation adjustment for the ILR? If you propose any changes, please provide the revised methodology and technical specifications.		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	No comment at this stage.	Noted.
Monetary Authority of Singapore, Singapore	While diversification is typically recognised for solvency, we note that diversification for liquidity is novel and is not established. This is also not a concept present in the computation of liquidity coverage ratio for banks. The relationship between the various factors is not as well-researched for liquidity. As such, it may not be prudent to allow for diversification. IAIS may wish to consider retaining the current approach.	The correlation adjustments to the ILR were carefully considered and only used where backed by research and a clear description of the relationship between the adjusted factors.

Question 22: Do you have any views on amending the correlation factor for ILR liquidity needs between life stress and P&C stress? Please provide evidence to support your proposals.		
Organisation	**Comment received**	**IAIS response**

Financial Services Commission, Mauritius	No comment at this stage.	Noted.
Monetary Authority of Singapore, Singapore	We note that life stress and P&C stress are typically taken to be independent when aggregating across stresses for solvency purposes. As such, we can agree with the proposed amendment of the correlation factor. Should IAIS decide to amend the correlation factor, it should set out clearly how the correlation factor would be derived and the data sources that would be used in the derivation of the correlation factor.	Academic research[1] supports the lack of correlation between these two sources of stress factors.

Question 23: Do you have any views on amending any other correlation factors for ILR liquidity needs? If so, which correlation factor(s) do you suggest changing, and why? Please provide evidence to support your proposals.		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	No comment at this stage.	Noted.
Monetary Authority of Singapore, Singapore	We note that there would be less justification for correlation between the other factors. To amend the correlation factors, there must be credible data available to calibrate and IAIS should set out clearly how the factors would be calibrated. For prudence, IAIS should assume no calibration. Using Operational risk as an example, it is a risk that can easily occur together with other events. For instance, an increase in lapse rates would likely lead to higher operational risk.	No other correlation factor has been amended.

Question 24: Do you have any other comments on the correlation adjustment for the ILR?		
Organisation	**Comment received**	**IAIS response**

[1] Fier, Stephen G., and James M. Carson. "Catastrophes and the Demand for Life Insurance." *Journal of Insurance Issues* 38, no. 2 (2015): 125–56. http://www.jstor.org/stable/43574412.

Financial Services Commission, Mauritius	No comment at this stage.	Noted.
LIAJ, Japan	The Life Insurance Association of Japan (the "LIAJ") appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (the "IAIS") on the public consultation on ancillary risk indicators in the Global Monitoring Exercise. In regard to the correlation factor between the 6 stress scenarios used for the correlation adjustment of ILR, Figure 15 could serve as a starting point data for estimating the impact of the correlation factors adjustment. However, further detailed data is not provided in the consultation document, and the specific calculation method of the correlation factors remains unclear. We request the IAIS to provide stakeholders the specific calculation method once it becomes clarified, and another opportunity to comment based on the specified calculation method.	The concerns are noted. The correlation factor between life stress and P&C stress has been amended as supported by academic research noted above. No other correlation factors have been amended.
American Council of Life Insurers, United States of America	As ACLI has discussed in our February 2021 comments on the IAIS's Phase 1 ILR development, the ILR is a simplistic tool that only provides signals on directional changes in industry liquidity that warrant further analysis. Even with the small, business-specific correlation adjustments proposed here, it continues to be a blunt tool that may result in potentially misleading data that can easily be subject to misinterpretation. Further, the ILR's metrics and formulas largely remain based on bank regulation recommendations that are not sufficiently tailored to the operations of non-bank financial institutions like insurers, who have different risk profiles and liquidity appetites—ultimately leading to very different asset holding portfolios—because of their specific contractual guarantees to consumers. One example regarding how the BCBS metrics in the ILR do not fit for insurers' asset utilization is through the ILR's treatment of money market funds. The ILR metric would provide excessively high haircuts to liquid money market funds. The IIM gives 100% value for cash equivalents and 25% for highly liquid money markets. As a result, companies that utilized money market funds during the high-interest rate environment would be penalized by 75%, negatively impacting the ILR in an unreasonable manner. We want to point out that the US Generally Accepted Accounting Principles considers highly liquid money market funds as "cash equivalent." We ask that the IAIS reconcile these differences in regulatory treatment so as to not penalize insurers' use of certain assets since they are not banks. As a result, we believe that the ILR is not appropriate for assessing true liquidity risk at the level of an individual insurer, insurance group, or in the aggregate. Instead, the IAIS's company projection approach (CPA) cash flow testing, which was adopted as part	The concerns are noted. An approach that uses cash flows in a stressed scenario would be a preferred approach for entity level liquidity risk assessment. However, the lack of consistent liquidity stresses across insurers makes comparisons difficult. Additionally, insurers note that liquidity is managed at the entity rather than group level, which is incongruent with the IIM exercise.

	of the Phase 2 of the liquidity analysis exercise in 2022, provides greater risk sensitivity and insights into risk exposures and liquidity for jurisdictional supervisors. As a result, the CPA should completely supplant the ILR and should be the only liquidity metric considered as part of the ancillary indicators. In the cases where jurisdictions have adopted a similar CPA cash flow testing approach, then it may be appropriate for them to temporarily maintain the ILR until they are able to transition to the more refined approach.	
GFIA - Global Federation of Insurance Association, Global	With regards to the specific correlation factor between the six stress scenarios used for the correlation adjustment of Insurance Liquidity Ratio (ILR), Figure 15 could serve as a starting data point for estimating the impact of the correlation factors adjustment. However, further detailed data is not provided in the consultation document, and the specific calculation method of the correlation factors remains unclear. GFIA would welcome another opportunity for stakeholders to comment once the specific calculation method is presented with clarification.	The concerns are noted. The correlation factor between life stress and P&C stress has been amended as supported by academic research noted above. No other correlation factors have been amended.
The Geneva Association, International	Amendments to the liquidity metrics: While the amended liquidity risk indicator signals the increased supervisory focus on monitoring liquidity risk at an international level, we question the relevance of this overhaul. The Geneva Association Report on Liquidity Risk (2024) highlights that the ILR "remained well above 100% as 'on aggregate, insurers hold large amounts of highly liquid assets to be prepared for potential liquidity needs.'" Also, the existing metric is relatively new, thus tightening the liquidity ratio at this point seems unnecessary. The ILR, according to the IAIS, is not intended to serve as a regulatory requirement but as an ancillary indicator for macroprudential monitoring. Introducing further granularity or adjustments risks creating inconsistencies across jurisdictions and activities, which could undermine its utility. Currently insurers have the flexibility to adapt the current version of the ILR to their unique profiles, which is a more pragmatic approach than introducing further refinements.	The concerns are noted. Note that there is no planned overhaul of the ILR, nor any intention to tighten the liquidity ratio. The only refinement being proposed is the correlation adjustment for life and P&C stresses, which is intended to provide a more accurate reflection of liquidity risk and, in fact, would loosen the liquidity ratio. This adjustment is based on careful consideration to ensure the metric remains both practical and effective for its intended purpose.

Question 25: Do you have any other feedback on the development of ancillary risk indicators in the GME?		
Organisation	**Comment received**	**IAIS response**
Financial Services Commission, Mauritius	(a) Regarding Ancillary indicator on credit risk, in Mauritius, it is not a requirement for investment to be rated by rating agencies, though some of them are currently rated. We are currently monitoring investments and risk assessing them for solvency purposes based on them being listed or unlisted. Listing rules are specified under the securities act of Mauritius. (b) Regarding Ancillary indicator on derivatives, in Mauritius, IFRS requirements are set for accounting or other disclosure issues. Data collection needs to be in line with requirements of IFRS 9. (c) Regarding Ancillary indicator on mark-to-model assets, data collection to be in line with requirements of IFRS 9.	Thank you for providing details. The IIM insurer pool consists of global insurers of which not all reports under IFRS. The IAIS will endeavour to ensure that, to the extent possible, requested data items are available and accompanied by suitable technical specifications.
Financial Sector Conduct Authority, South Africa	No other feedback.	Noted.
General Insurance Association of Japan, Japan	With respect to each of the IIM data items to be assessed in the proposed ancillary risk indicators, we ask supervisors to understand that some items (including those on which we have not specifically commented) may be difficult to provide as some insurers do not have the relevant data, and it would be unduly burdensome to calculate it solely for this purpose. The use of ancillary risk indicators should take into account the fact that there are data items that are not reportable in the underlying IIM Data Collection, or that are reported based on interpretation or proxy by insurers. We would like to see the technical specifications improved by clarifying the definition of each item and providing more examples of assets covered in order to minimise interpretation errors by insurers in IIM Data Collection, and to make the reported figures more consistent.	Thank you for the feedback. The IAIS recognises the importance of minimising reporting burdens on insurers while ensuring that the data collection remains fit for purpose. The IAIS also acknowledges the need for clarity and consistency in reporting and will work to improve the technical specifications where possible to reduce interpretation errors and

		enhance the quality of the data collected.
LIAJ, Japan	The LIAJ has made comments in the past regarding the liquidity assessment of insurance liabilities based on economic penalty and time restraint matrix for relevant consultations including those on the implementation of liquidity metrics as an ancillary indicator starting from the development of the G-SII assessment methodology to the adoption of the current Holistic Framework. While these comments have been taken into consideration by the IAIS to some extent, the current IIM assessment methodology related to the liquidity assessment still remains an issue for the life insurance industry in Japan. As such, we would like to make the following comments including issues we have also raised in previous public consultations. >The liquidity assessment of insurance liabilities is based on economic penalty and time restraint matrix. However, we believe this is rather over-simplified. It should be comprehensively assessed based on a wider range of perspectives such as the purpose of the insurance policy, the existence of actual economic penalty for policies with high assumed interest rates, the characteristics of insurance types and the existence of insurance policyholder protection schemes. In particular, the LIAJ propose the following three perspectives from i to iii. >Also, in the "Level 2 Document - Liquidity Metrics as an Ancillary Indicator" published by the IAIS in November 2022, the matrix for assessing the liquidity of insurance liabilities was divided into "retail" and "institutional" (Table 4 – ILR factors – Liability liquidity: Retail and Institutional), and the factors applied to retail were reduced to half of those applied to institutional. However, given the reason mentioned below in item i, we believe further reduction in the retail factors should be considered. i. Regarding the factor level, it should be considered that our actual surrender rate is much lower than 50% for retail. -The highest mass surrender experienced in Japan had a surrender rate of about 25% (the rate of decrease in individual insurance and annuity for Toho Mutual Life Insurance Company in 1997), which was far below 50%. -As demonstrated in the IAIS' ICS data collection, Japanese life insurance sector's surrender rate is stable and the 50% level is very atypical from reality. ii. Insurers run their business based on the characteristic of their domestic market so the IIM assessment indicator should also take into consideration of this reality. Specifically, we would like to propose that there should be a difference in factors between protection-	Thank you for the feedback. The IAIS recognises the importance of minimising reporting burdens on insurers while ensuring that the data collection remains fit for purpose. The proposals would substantially increase the granularity of the data template and the reporting burden for insurers. The IAIS currently deems the ILR appropriate for its purpose, despite the limitations described in the comment.

	based products and savings-based products, as well as setting the surrender penalty based on market value. Protection-based products are less likely to be surrendered not only because the protection will be lost at time of cancelation, but also because it would be difficult for the policy holder to repurchase a policy after the cancelation. iii. Regarding time restraints on the surrender of Japanese insurance policies, we would like the IAIS to allow to categorize it for three months or more upon an event of crisis. For the IAIS liquidity metrics of insurance liabilities, the IAIS only considered surrender results during normal times. However, we understand that liquidity metrics consider insurers' situation during a crisis; therefore, time restraints for surrenders should also consider situations during a crisis. -As for Japanese surrender results, time restraints are considered low (less than a week). This is due to early payment handling during normal times since the insurance company is required to pay overdue interest if the cash surrender value is not paid within a certain time. As this payment period is not guaranteed to the policyholder and if a lack of capital occurs, it is possible for the insurance company to decide to extend the payment period and rather pay the overdue interest based on the policy's terms and conditions. Therefore, we propose the cash surrender value and overdue interest be considered as liquidity needs in terms of liquidity risk management, and the time restraints during an event of crisis be categorized as three months or more. As stated above, we would like to continue our discussions on factors regarding the liquidity assessment of insurance liabilities. Nonetheless, with regard to the calculation method for "12. Liability liquidity" (set out in Table 3 in "Holistic Framework for Systemic Risk in the Insurance Sector Global Monitoring Exercise June 2023" published by the IAIS) used as one of the indicators in the current IIM Assessment Methodology, a revision should be considered to align with"Level 2 Document - Liquidity Metrics as an Ancillary Indicator" by separating the factor into "institutional " and "retail", if the same liquidity risk of insurance liabilities will be assessed. If the IAIS believes this revision is unnecessary, an explanation would be appreciated.	
American Council of Life Insurers, United States of America	ACLI appreciates the opportunity to comment on the GME ancillary indicators consultation. We agree with the objective of the consultation to monitor systemic risk and wish to continue working with the IAIS on this objective. We very much support the GME and the holistic framework to look at the industry in aggregate. For example, we hope that the metrics are utilized to look at macroprudential risk instead of using the metrics to penalize companies on microprudential issues. We encourage the IAIS to recognize that the ancillary indicators mentioned in the consultation should	Thank you for the feedback. The concerns are noted, and the IAIS fully recognises the importance of derivatives and reinsurance as risk mitigants.

	have appropriate and clear goals for their use and in application to insurers rather than banks. For example, the IAIS should avoid the assumption that higher values in the ancillary indicators means higher risk or riskier behavior. Avoiding this assumption is particularly important for derivative and reinsurance indicators. While higher values in these indicators may be indicative of higher market leverage or greater reliance on reinsurance counterparties, they may also simply be indicative of sound risk management practices (e.g. the use of derivatives for hedging purposes, or the use of reinsurance to diversify risk). Care should therefore be taken in interpreting the ancillary indicators and ideally this information should be supplemented with information from other sources including stress testing analysis. We urge that the ancillary indicators continue to be used as a monitoring exercise for risk trends, not to be used as benchmarks to define systemic risk to require regulatory action on individual companies or on the industry. The data may not reveal a qualitative story for individual companies. For example, notional value can be offset by liabilities that might not be captured solely by the ancillary indicators. Also, reinsurance transactions are very bespoke as they are often made up of significantly different products and risk profiles between each company and counterparty. Aggregation should be used first to see if a stated systemic risk can be generated by an individual insurer. Regulators should use leading indicator metrics to first evaluate systemic risk at an aggregate level and to determine whether individual companies are skewing the results or if there are growing trends in the industry that require further analysis and action. Further, we continue to raise concerns about the BCBS related haircuts in the CPA and to the extent the ILR is maintained in any capacity. The method and treatment of these assets does not recognize the unique utilization and long-term nature of life insurer investments.	The ancillary risk indicators in GME are not intended to be used to calculate the systemic footprint of individual insurers, but rather to provide additional context focusing on certain risks and activities of individual insurers.
GFIA - Global Federation of Insurance Association, Global	GFIA appreciates the opportunity to comment on the International Association of Insurance Supervisors (IAIS) consultation on ancillary risk indicators in the Global Monitoring Exercise (GME). GFIA supported the adoption by the IAIS in 2019 of the Holistic Framework, which was an important achievement, and an appropriate way to identify, monitor and mitigate sector-wide developments, including potential systemic risks in the insurance sector. In GFIA's view, ensuring that the Holistic Framework remains a valid, useful and proportionate tool to assessing systemic risk in the insurance sector should be a priority. GFIA notes the IAIS's intention to produce further ancillary risk indicators in support of its assessment of potential systemic risk in the global insurance sector in the context of Individual Insurer Monitoring (IIM) exercises. However, the development and potential reliance on the ancillary indicators should be	Thank you for the feedback. The concerns are noted, and the IAIS fully recognises the importance of derivatives and reinsurance as risk mitigants. The ancillary risk indicators in GME are not intended to be used to calculate the

	balanced against their inherent limitations. The development and use of multiple indicators and time horizons may also prove to be counterproductive and provide conflicting signals regarding the build-up of systemic risk. GFIA would support that the IAIS strictly limits further changes to the IIM templates and invites the IAIS to consider the outcome of the GME in relation to the reporting burden it imposes. The IAIS should aim to stabilise or even reduce the scope of the exercise. Any changes and additions to individual company data requests should only be made after thorough analysis of existing data points and full justification of the need to request them from a systemic risk perspective. The size of the templates has grown considerably, without a commensurate build-up of systemic risk in the insurance sector. In GFIA's view, the annual data collection exercise is already overly granular, and its scope appears to go beyond what is necessary for the Holistic Framework, under which the focus should be assessing potential systemic risk in aggregate, whereas the IAIS only uses a small part of the collected data for the calculation of individual systemic risk scores for participating entities. Regarding the proposed indicators on derivatives and reinsurance, GFIA is concerned that the focus on proven risk mitigating techniques conveys a narrative that a company using risk mitigation techniques would be riskier than a similar company not using risk mitigating techniques. In GFIA's view, a more supportive approach to proven mechanisms which effectively contribute to financial stability through a more efficient diversification of risks should be adopted in the GME and associated documentation. In addition, the ratios proposed are descriptive of market developments but not indicative of systemic risk and this will need to be clearly highlighted in the Global Insurance Market Report (GIMAR) communication. The use of ancillary risk indicators should take into account the fact that there are data items that are not reportable in the underlying IIM Data Collection or that are reported based on interpretation or hypothesis by insurers. GFIA would like to see the technical specifications improved by clarifying the definition of each item and providing more examples of assets covered to minimise interpretation errors by insurers in the IIM Data Collection and to make the reported figures more consistent. In addition, GFIA would request that supervisors show understanding that some items (including those on which have not been specifically addressed here) may be difficult to provide as some insurers do not produce the relevant data, and it would be unduly burdensome to calculate it solely for this purpose.	systemic footprint of individual insurers, but rather to provide additional context focusing on certain risks and activities of individual insurers. The ancillary risk indicators have been designed to utilise exclusively data items already collected in the IIM template, without increasing the reporting burden. The IAIS will continue work on improving the technical specifications to minimise difficulties in reporting.

Insurance Europe, Europe	Insurance Europe welcomes the opportunity to provide comments to the IAIS consultation on ancillary risk indicators in the Global Monitoring Exercise (GME). Insurance Europe supported the adoption of the Holistic Framework by the IAIS in 2019. The Holistic Framework is an important achievement and an appropriate way to identify, monitor and mitigate sector-wide developments, including potential systemic risks in the insurance sector. Maintaining the usefulness of the Holistic Framework and the proportionate approach to assessing systemic risk in the insurance sector should be a priority. Insurance Europe recognises the IAIS's willingness to develop further ancillary risk indicators to support its assessment of potential systemic risk in the global insurance sector as part of Individual Insurer Monitoring (IIM) exercises. However, the development and potential reliance on the ancillary indicators should be balanced against their inherent limitations. The development and use of multiple indicators and time horizons may also prove to be counterproductive and provide conflicting signals regarding the build-up of systemic risk. As noted in previous feedback, European insurers who are in scope of the IIM exercise support that the IAIS strictly limits further changes to the IIM templates and invite the IAIS to consider the GME in relation to the reporting burden it imposes. The expansion of the scope of the IIM through the introduction of further ancillary risk indicators should be justified by a clear benefit to the overall supervisory framework in terms of systemic risk monitoring. Insurance Europe notes that the template has grown consistently and progressively larger and more resource-intensive in terms of time and personnel. For instance, the 2023 template contained 50% more data cells than in 2019, despite no corresponding increase of systemic risk in the insurance sector. The scope of the exercise should be stabilised or reduced to ensure it remains manageable for participating entities. For example, part of the data collection that was created under exceptional circumstances (eg the qualitative questionnaire) should be discontinued when the situation has normalised. Any changes and additions to individual company data requests should only be made after thorough analysis of existing data points. The proposed indicators on derivatives and reinsurance seem to convey the narrative that a company using risk mitigating techniques would be riskier than a similar company not using risk mitigating	Thank you for the feedback. The concerns are noted, and the IAIS fully recognises the importance of derivatives and reinsurance as risk mitigants. The ancillary risk indicators in GME are not intended to be used to calculate the systemic footprint of individual insurers, but rather to provide additional context focusing on certain risks and activities of individual insurers. The ancillary risk indicators have been designed to utilise exclusively data items already collected in the IIM template, without increasing the reporting burden. The IAIS will continue work on improving the technical specifications to minimise difficulties in reporting.

	techniques. Insurance Europe invites the IAIS to not disincentivise proven mechanisms that effectively contribute to financial stability by enhancing risk diversification. In addition, the ratios proposed are descriptive of market developments but not indicative of systemic risk, which should be clearly highlighted in the Global Insurance Market Report (GIMAR) report. Further detailed comments are outlined in the respective sections.	
The Geneva Association, International	The Geneva Association appreciates the opportunity to provide feedback on the IAIS's public consultation on ancillary risk indicators in the Global Monitoring Exercise (GME). We understand that these indicators are designed to enhance the IAIS' monitoring capabilities as part of the Holistic Framework. However, we have several concerns and recommendations regarding the proposed ancillary indicators. In particular, it is essential to ensure that the Holistic Framework remains effective and that the assessment of systemic risk in the insurance sector remains proportionate to actual risks. General Observations We acknowledge the IAIS's initiative to supplement the liquidity risk metric with additional ancillary indicators. We would encourage the IAIS however to aim for a balanced approach that ensures meaningful insights while considering the practical implications for the industry. Concerns 1. Relevance and interpretability: The proposed new ratios are descriptive of market development but not indicative of systemic risk. This limitation would need to be clearly communicated in the GIMAR. Furthermore, some of the proposed indicators, such as the reliance on reinsurance indicator, appear to be overly simplistic, descriptive and not indicative of systemic risk, while for others, e.g. on reinsurance market share, the IAIS openly acknowledges limitations in terms of accuracy. The ratios derived from these indicators could be influenced by various factors unrelated to risk build-up, potentially leading to misinterpretation. 2. Narrow focus: Some indicators, such as those related to asset-intensive re/insurance, appear to be primarily focused on specific markets (e.g., the US) and may not be globally relevant or applicable. For firms engaged in non-asset-intensive life and health business, obtaining the data required for the life cross-sector-border reinsurance indicator can involve excessive costs. To address this, the principle of proportionality should be clearly emphasised in the Individual Insurer Monitoring (IIM's)	Thank you for the feedback. The concerns and recommendations are fully noted. The ancillary risk indicators in GME are not intended to be used to calculate the systemic footprint of individual insurers, but rather to provide additional context focusing on certain risks and activities of individual insurers. The ancillary risk indicators have been designed to utilise exclusively data items already collected in the IIM template, without increasing the reporting burden. The current granularity of the data collection is deemed a reasonable and necessary compromise to enable the IAIS to fulfil the objectives of the GME effectively, while minimising the reporting burden on insurers. This includes

	technical specifications, particularly when the IAIS requests data that is not already prepared for consolidated financial statements. 3. Potential future use: Although these indicators are described as "ancillary" and not affecting the total quantitative score, we are concerned about their potential future use in policy decisions or supervisory actions without proper context or understanding of their limitations. The development and use of multiple indicators and time horizons could potentially be counterproductive, as they may generate conflicting signals about the accumulation of systemic risk. 4. Derivatives and reinsurance: The IAIS's approach to derivatives and reinsurance appears to adopt a negative lens, implying that greater use of these tools correlates with increased risk. This perspective seems to echo narratives from the financial crisis, overlooking the primary purpose of these instruments: spreading and managing risk across the system. More specifically, section 3.2.1 suggests that a high ratio of Gross Notional Amount (of derivatives) to assets "may indicate […] vulnerability to market fluctuations." This ignores the risk management rationale that underlies most of the derivative usage. Derivatives are crucial for offsetting risks on a company's balance sheet, serving as tools for risk mitigation rather than amplifying systemic vulnerability. As for reinsurance, section 4.2 is titled "Reliance on Reinsurance". The framing is negative, suggesting that it would be preferable for reinsurance not to be used. The indicators introduced suggest that entities with higher exposure or ratios of derivatives or reinsurance could pose threats to financial stability. Such a characterization fails to adequately recognize the risk management benefits these tools provide. Companies employing derivatives or reinsurance to mitigate risk should not automatically be viewed as inherently riskier. Discouraging proven mechanisms that effectively enhance financial stability by enabling more efficient risk diversification would contradict the holistic framework's stated objective. 5. Amendments to the liquidity metrics: While the amended liquidity risk indicator signals the increased supervisory focus on monitoring liquidity risk at an international level, we question the relevance of this overhaul. The Geneva Association Report on Liquidity Risk (2024) highlights that the ILR "remained well above 100% as 'on aggregate, insurers hold large amounts of highly liquid assets to be prepared for potential liquidity needs.'" Also, the existing metric is relatively new, thus tightening the liquidity ratio at this point seems unnecessary. The ILR, according to the IAIS, is not intended to serve as a regulatory requirement but as an ancillary indicator for macroprudential monitoring. Introducing further granularity or adjustments risks creating inconsistencies across jurisdictions and activities, which could undermine its utility. Currently insurers have the flexibility to adapt the current	carefully assessing the size of the reporting template and the availability of relevant data.

	version of the ILR to their unique profiles, which is a more pragmatic approach than introducing further refinements. 6. Operational considerations: We appreciate the role of the IIM framework and support the IIM and GME as a thoughtful alternative to systemic risk designations. However, examining isolated metrics or data points about the size or extent of certain activities, without considering the role of these activities in managing risk, may lead to an incomplete understanding of their systemic impact. While we understand that as the sector evolves, there is a need for the IIM framework to evolve alongside, and we encourage the IAIS to balance the introduction of new indicators with a review of existing ones, ensuring the framework remains efficient and focused on meaningful insights and the size of the template stays stable over time. In this regard, we would like to highlight that the size of the reporting template has increased significantly, with the 2023 version containing 50% more data cells than in 2019, despite no corresponding increase in systemic risk within the insurance sector to justify this expansion. Moreover, only an estimated 15% of the quantitative data collected is utilised for the IIM dashboard focused on systemic risk. We also raise concerns about the growing trend of requesting non-disclosed, non-audited data, which insurers must produce solely for this data collection effort. These additional requirements place a significant burden on insurers and result in data that is less comparable than traditional financial metrics. We urge the IAIS to reconsider this approach to work with the industry to identify useful and reliable data that can be produced with a reasonable effort. Recommendations 1. Prioritize Existing Financial Data: We encourage the IAIS to focus on indicators that can be derived from existing consolidated financial statement data, which are subject to established governance and auditing processes. This approach would ensure more reliable and consistent information. 2. Enhance Transparency: The IAIS should provide clear explanations of how these indicators will be used in practice and their limitations in the GIMAR communication. This would help prevent potential misinterpretation of the indicators in future policy decisions. 3. Ensure global relevance: We recommend that the IAIS review the proposed indicators to ensure they are globally relevant and applicable, rather than focusing on specific markets or products. 4. Maintain proportionality: The introduction of new indicators should not lead to disproportionate	

	reporting requirements or supervisory actions. We urge the IAIS to maintain a balanced approach that considers the actual systemic risk posed by insurers. When systemic risk remains stable, it is reasonable to expect the scope of IIM data collection to remain consistent as well. Data collection efforts introduced under exceptional circumstances, such as the qualitative questionnaire, should be discontinued once conditions have normalised. 5. Accounting standards: The proposed indicators are designed to capture data collected under different accounting standards, including IFRS and non-IFRS frameworks. It is stated that data should be reported based on the insurer's statutory accounts, which may differ from IFRS for some insurers. While this approach allows for flexibility, the IAIS should be mindful of potential challenges in calculation and interpretation when assessing IFRS and non-IFRS IAIGs, as some indicators might be difficult to compute or could be misinterpreted due to differences in accounting treatments. 6. Conduct further analysis: ahead of implementing these indicators, we suggest that the IAIS conduct a comprehensive study on how they relate to potential systemic risks in the insurance sector. This would help ensure that the indicators are meaningful and appropriate for their intended purpose. Conclusion We understand the IAIS's wish to enhance its monitoring capabilities and do not inherently oppose ancillary indicators. Nevertheless, we encourage the IAIS to consider the increasing operational burdens that the data collection exercise is placing on the industry. We encourage efforts to reform and streamline the process to focus on metrics and indicators that provide meaningful and reliable insights into systemic risk without placing undue burdens for data production on the industry.	