

February 6, 2023



Dr. Victoria Saporta  
Chair, Executive Committee  
Mr. Jonathan Dixon  
Secretary General  
International Association of Insurance Supervisors (IAIS)  
Bank for International Settlements  
CH-4002 Basel  
Switzerland

Re: Public Consultation on the Review of the IIM Assessment Methodology

Dear Dr. Saporta and Mr. Dixon:

The insurance members of the Institute of International Finance (IIF) are pleased to respond to the IAIS's Public Consultation on the Review of the Individual Insurer Monitoring (IIM) Assessment Methodology (IIM Consultation). We support the IAIS's Holistic Framework for the assessment and mitigation of systemic risk in the global insurance sector (Holistic Framework) and recognize the key role of the Global Monitoring Exercise (GME), of which the Individual Insurer Monitoring IIM is a part, in the Holistic Framework. We appreciate the IAIS's efforts to continuously evolve the GME, including through a review of the IIM assessment methodology.

Insurance members of the IIF may, at the individual level, have more detailed comments on specific aspects of the IIM assessment methodology and the proposed refinements contained in the IIM Consultation. This comment letter will focus on high-level messages that are generally agreed upon across the IIF insurance membership.

**Further Focusing of the IIM Data Fields.** We encourage the IAIS to further focus the data fields contained in the IIM assessment methodology, with a view to only requesting on a best-efforts basis the data fields that are clearly linked to the IAIS's ultimate objective of identifying and assessing systemic risk in the global insurance sector (as opposed to gathering information that may be helpful to jurisdictional supervisors for microprudential purposes). This clear focus would also reduce burden on the industry and IAIS members alike and help to provide the IAIS with information from IIM participants in a timely manner.

While we recognize that the IAIS has conducted a significant amount of work in developing its liquidity metrics, we believe that this is an area where the IIM assessment methodology could be more focused with an improved methodology that better reflects the economics underlying product design. In particular, the liability bucketing in Section 2.10 of the IIM Consultation reflects a disproportionate focus on overly granular formal penalties, which generally do not reflect the underlying economics of the product design and could result in unintended consequences and skewed incentives for insurers and policyholders alike. Additionally, the IAIS should consider reducing the number of liquidity metrics from five to one or two.

**Leveraging Existing Data and Information.** The IAIS could also leverage the considerable amount of information that is released publicly by the internationally active insurers that are subject to the IIM. The collection of non-public data should be carefully justified in order to avoid the inadvertent release of confidential or proprietary information.

**Standardizing Templates and Increasing Data Collection Timelines and Transparency.** The IAIS should consider increasing the timeline to collect the data. Furthermore, the timelines, along with the data template and technical specifications, should be provided further in advance. More clarity and consistency around the data collection process would allow insurers to plan and allocate sufficient resources for the exercise. Furthermore, when changes to the template are made, such as the addition of new or revised data fields, the IAIS could provide advance notice of the change(s) and additional time for insurers to provide the requested information. By providing greater clarity around timelines and advance notice of deadlines and/or changes to the template, insurers will be able to enhance their internal processes and ultimately provide better quality data to the IAIS.

We appreciate the opportunity to comment on the IIM Consultation and we look forward to ongoing opportunities for dialogue with IAIS members on issues related to the potential for systemic risk to arise from the insurance sector. We reiterate our long-standing and well recognized position that the insurance sector poses considerably less potential systemic risk than other financial services sectors and by contrast has demonstrated its capacity as a shock absorber for the financial system. While we acknowledge the importance of supervisory (and insurer) vigilance in an evolving risk environment, we believe that this vigilance can be delivered in a proportionate manner, leveraging the considerable tools that the insurance industry regularly employs in managing its risks.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. J. Murray", with a long horizontal flourish extending to the right.