

IAIS Consultations

Print view of your comments on "Activities-based approach to Systemic Risk Consultation" -
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Treat my comments as confidential	No

Question	
Answer	Q1 Do you agree with the IAIS definition of an activities-based approach? If not, please provide an alternative definition and explain how it improves on the IAIS' one.
Answer	Q2 Does the proposed definition allow the assessment of the most significant potential sources of systemic risk?
Answer	Q3 What are your views on the comparison between ABA and EBA?
Answer	Q4 Do you agree with the IAIS' conceptual approach? Please explain any suggested changes.
Answer	Q5 Do you agree with defining the activities broadly in terms of risk exposures (e.g. liquidity risk) rather than more narrowly in terms of their legal form (e.g. securities lending)? If not, what changes should the IAIS make and why?
Answer	Q6 Do you agree with the two main risk exposures identified for the purposes of an ABA? If not, how could this be improved?
Answer	Q7 How should counterparty risk be treated under the ABA?
Answer	Q8 How should substitutability be treated under the ABA?
Answer	Q9 Should any other activity or risk exposure be considered potentially systemically risky under this framework?

Answer

Q10 Do you agree with the assessment of liquidity risk in the context of an ABA? If not, please explain why and how this could be improved.

Answer

Q11 Do you agree with the transmission channel, i.e. the reasons and conditions for this risk to be potentially systemic and how it is described in this section?

Answer

Q12 Are there additional examples of significant exposure to liquidity risk that should be considered?

Answer

Q13 Do you agree with the IAIS' assessment of macroeconomic risk in the context of an ABA? If not, please explain why and what changes you think should be made.

Answer

Q14 Do you agree with the transmission channel, i.e. the reasons and conditions for this risk to be potentially systemic and how it is described in this section?

Answer

Q15 What are your views on the inclusion of the negative impact of reduced funding of other financial sectors?

Answer

Q16 Are there additional examples for significant macroeconomic exposure that should be considered?

Answer

Q17 What are your views on the IAIS' consideration of operational risk in the development of ABA policy measures?

Answer

Q18 What are your views on the IAIS' consideration of other common or procyclical behaviours that do not directly stem from either liquidity risk or macroeconomic exposure?

Answer

Q19 Do you agree with the description of how the existing policy measures could mitigate systemic risk?

Answer

Q20 Are there other mitigating policy measures in the wider IAIS policy framework that should be taken into account? If so, what are these and how do they mitigate the risk?

Answer

Q21 Do you agree with the IAIS' description of the gap analysis? If not, please explain how it could be improved.

Answer

Q22 Do you have any suggestion on how to measure (residual) liquidity risk in a proportionate manner?

Answer	
	Q23 How can the (residual) macroeconomic risk be appropriately measured, taking into account the extent that this risk is managed through ALM?
Answer	
	Q24 Are there any other important considerations that are not included?
Answer	
	Q25 Do you have any comments on the potential policy measures considered?
Answer	
	Q26 How should the IAIS determine the scope of any proposed policy measures? Should they scope vary based on the policy measure in question or should the scope be the same for all policy measures?
Answer	
	Q27 How could costs and benefits be measured by the IAIS?
Answer	
	Q28 How could a materiality threshold be set?
Answer	
	Q29 Are there other aspects the IAIS should consider in assessing the implications of ABA work?
Answer	
	Q30 What impact do you think the ABA should have on the revision of the G-SII Assessment Methodology?
Answer	
Answer	<p>Q31 Do you have any other comments on the approach taken?</p> <p>ICMIF welcomes the opportunity to share some general comments on the IAIS consultation document on the Activities-Based Approach to Systemic Risk. ICMIF is a federation of 280 organizations based in 75 countries, representing 6.9% of the global insurance market (by premium income), serving over 380 million members/policyholders and employing over 320,000 people worldwide. . Our members range from large market leaders to niche, affinity-based insurers, and most are small/medium-sized.</p> <p>We acknowledge that pursuant to the financial crisis, a strong awareness of the interconnectedness of the different fields of financial activity has been raised. We thus agree with the development of an ABA approach that addresses cross-sectoral aspects in systemic risk assessment. We agree that the liquidity and systemic risks are the main risk exposures to be considered as priorities by the IAIS at this stage. While the liquidity risk tends not to be considered a serious risk in insurance, with a few exceptions, we agree it can't be ignored. We would however plead for the stress tests to be tailored to insurers and not copied from banks, given the fundamental differences. On that point, we should like to point out that some European members are already submitted to two sets of stress tests: one for EIOPA and one for the National Competent Authorities. The liquidity risk is assessed with regard to the duration, the asset composition (nature, duration and liquidity) and expected cash in and outflows. The notion of liquid versus non-liquid assets has also been specifically defined for insurance purposes. With regard to the application of an ABA to the mitigation of systemic risk in the insurance sector it would be more useful for the IAIS to be more explicit in qualifying that risk, for example by providing some national and international tiering. Historically, any failures by insurers were contained and resolved by the market. Finally, given that not all companies engage in potentially risky activities and each circumstance is specific, we warmly welcome the IAIS' proposal that the application of an ABA should apply the principle of proportionality as well as the integration of cost and</p>

benefit aspects, which means the introduction of materiality thresholds or exclusion from the scope of application of very small to small and mid-sized players.
