

IAIS Public Consultation on the Development of Liquidity Metrics: Phase 2 – NAIC Draft Comments

Question	Comment
<p>1 Do you agree with the IAIS' general objective and contemplated usage for the liquidity metrics? If not, please explain your rationale.</p>	<p>A liquidity risk indicator should be considered along with other risk indicators to develop an overall risk profile of individual insurers and the sector. We support development of the CPA approach as a better risk indicator to assess liquidity risk.</p> <p>With respect to contemplated usage, we would prefer to see how the development of the CPA approach progresses prior to deciding on any publication of results as an ancillary indicator. A separate publication may not be necessary as it may be prudent to keep the results within the IIM and SWM exercises.</p>
<p>4 Is there a need to develop supplementary liquidity metrics solely for separate accounts for both EA and CPA? If not, provide suggestions how the IAIS should monitor liquidity related to separate accounts (united-linked products) for both EA and CPA?</p>	<p>Whether this is needed should be explored in the future; the NAIC plans to research this domestically in the future as well.</p>
<p>65 Do you prefer a set of liquidity metrics for liquidity risk monitoring purposes? If not, provide clarification. 66 The NAIC prefers the CPA because we feel it is a better indicator of liquidity risk. The CPA is more dynamic capturing the cash flow generated by insurance premiums vs. the static point in time balance sheet metrics historically used as liquidity risk indicators. The NAIC supports field testing both ILR and CPA to establish a comparison that may allow for some improvements.</p>	<p>While we feel the CPA is the best indicator of liquidity risk, we would not be opposed to having a set of liquidity metrics from which jurisdictions could choose to use based on which metric(s) works best for their system.</p>
<p>66 The NAIC prefers the CPA because we feel it is a better indicator of liquidity risk. The CPA is more dynamic capturing the cash flow generated by insurance premiums vs. the static point in time balance sheet metrics historically used as liquidity risk indicators. The NAIC supports field testing both ILR and CPA to establish a comparison that may allow for some improvements.</p>	<p>The NAIC prefers the CPA because we feel it is a better indicator of liquidity risk. The CPA is more dynamic capturing the cash flow generated by insurance premiums versus the static point in time balance sheet metrics historically used as liquidity risk indicators. The NAIC supports field testing both ILR and CPA to provide insights and comparison that may allow for some improvements.</p>