

IAIS public consultation on the review of the Individual Insurer Monitoring (IIM) Assessment Methodology

Consultation Questions

2.1 IIM scoring indicators

2.1.2 *Enhancing the monitoring of level 3 assets*

Questions:

- Which (underlying) data rows would be necessary to monitor the different types of level 3 assets?
 - If possible, also provide the technical specifications for these rows
- Which (underlying) data rows would be necessary to monitor illiquid/difficult to value assets held at historical cost or valued using other non-fair value methods?
 - If possible, also provide the technical specifications for these rows
- Which other refinements could be made to the level 3 assets indicator?

Answer:

Refinement of Level 3 assets does not seem necessary because Level 3 assets have been readily publicly available (other otherwise has proxies). The NAIC suggests more time needs to be spent on data validation, rather than collecting more data, to be more efficient at analyzing firm and jurisdictional differences of Level 3 assets.

2.1.3 *Enhancing the monitoring of (cross-border) reinsurance*

Questions:

- Which (underlying) data rows would be necessary to better capture (1) cross-border reinsurance exposures (ceded and assumed) and (2) the concentration risk of cross-border reinsurance in certain insurers or jurisdictions?
 - If possible, also provide the technical specifications for these rows
- Which potential reinsurance ancillary indicator could be developed?
 - If possible, also provide the data rows and technical specifications
- Which other refinements could be made to better capture reinsurance exposures under the intra-financial assets and liabilities indicators?
- If possible, also provide the technical specifications for these rows.

Answer:

The NAIC agrees with the proposed enhancements -- asking jurisdictions where premiums and risk is ceded could assist in better capturing concentration of exposures.

2.1.4 Refining the derivatives indicator

Questions:

- Which (underlying) data rows would be necessary to monitor the different types of derivatives?
 - If possible, also provide the technical specifications for these rows
- Which other variables could be looked at to monitor derivatives exposures and their potential 'outward' risk, in addition to gross notional amounts?
- What is your assessment of the difference in systemic risk between the risk from OTC derivatives that are centrally cleared vs derivatives that are bilaterally settled?
- Should the hedging leverage in derivatives and repo exposures be monitored?
 - If yes, how?

Answer:

The existing derivatives data seems adequate. With respect to other variables and hedging leverage, the impact of margin calls may be a useful additional indicator of risk. Centrally cleared derivatives are typically considered less risky than bilaterally settled.

2.1.5 Refining the short-term funding indicator

Question:

- Which (underlying) data rows would be necessary to monitor the potential outward risk of short-term funding?
 - If possible, also provide the technical specifications for these rows
- Which other refinements could be made to the short-term funding indicator?

Answer:

The NAIC agrees with the existing assessment methodology, so no changes are necessary.

2.1.6 Removal of the financial guarantees indicator

Question: Do you have any feedback on the removal of financial guarantees as an indicator?

Answer:

The NAIC is in favor of removing the financial guarantee indicator.

2.1.7 Any other feedback on any of the indicators and the IIM data template

Question:

- Do you have any other feedback on any of the indicators?
- What is your view of the overall granularity of the IIM data template (Annex 1)?

Answer:

No comments.

2.2 Indicator weighting

Question: Do you have any feedback on the updated indicator weighting?

Answer:

The NAIC agrees with the updated indicator weighting to reflect omission of the financial guarantee indicator.

2.3 Insurer Pool selection criteria

Question: Do you have any feedback on the Insurer Pool selection criteria?

Answer:

The NAIC recommends that the insurer pool selection criteria contain language providing for an inflation adjustment of the dollar threshold on a periodic basis.

2.4 Reporting to participating insurers and the public

2.4.1 Reporting to participating insurers: Participating Insurer Reports (PIRs)

Question: Do you have any feedback on the Participating Insurer Reports?

Answer:

No comments.

2.4.2 Reporting to the public: Global Insurance Market Report (GIMAR)

Question: Do you have any feedback on the Global Insurance Market Report (GIMAR)?

Answer:

The NAIC recommends that the GIMAR should be more concise.