1	Is the list of key exposures that may lead to a systemic impact and its description appropriate? Please elaborate	No. Specifically "Other Sources of Systemic Risk" lists wide-spread under-reserving without the possibility to reprice risk. While the NAIC agrees that under-reserving and under-pricing are significant risks to financial health of an insurer, and important to monitor from both firm and sector-wide trends, we question whether this rises to systemic concern and particularly the wide-spread asset liquidation reference in paragraph 47. Additionally, while interconnectedness, substitutability and liquidity are key exposures, these focus largely on drivers of the 2008 financial crisis. It is important for the IAIS and its members to equally focus on emerging risks (such as cyber), which may be the source of a future potential crisis. In Section 2.2, the terms "exposures," "risk" and "vulnerabilities" are used, but it is not clear if there is an intended distinction between the terms or if they are interchangeable and the different expressions are merely the result of historical usage. It would be helpful in future IAIS work on this topic to either explain the distinction (if there is one) or else use one term consistently to provide greater clarity.
2	*Are there any other key exposures that are missing? Please elaborate*	*No response*
3	*Is the description of the transmission channels of systemic risk appropriate? Please elaborate*	*No response*
4	*Are any key transmission channels missing? Please elaborate*	*No response*
5	Are there any further considerations on Section 2? Please elaborate	The NAIC questions whether substitutability or lack thereof in Marine and Aviation insurance is a valid example of a systemic exposure. Also see response to Question 1 on under-reserving and under-pricing.
6	Do you agree with the proposed scope of application and of the practical application of the proportionality principle as described above? Please elaborate	The NAIC generally agrees with the description of the principle of proportionality. Regarding the proposed scope of application, the meaning of the statement in paragraph 67 is unclear: "In the holistic framework, supervisors are expected to extend certain ComFrame Standards beyond IAIGs to other insurers as necessary, because of the nature, scale and complexity of the activities that lead to increased systemic risk exposure." It would seem that if

		ComFrame Standards are expected to extend beyond IAIGs, then they are no longer, by definition, ComFrame Standards. The IAIS should clarify whether this is intended to apply to IAIGs and therefore covered under ComFrame, or else, if the focus is on the nature, scale and complexity of the activities that lead to increased systemic risk exposure, then perhaps these may be more appropriately captured under the ICPs.
7	*Do you have any other comments on the introductory description of the supervisory policy measures as described in section 3.1? Please elaborate*	*No response*
8	Do you agree with the above proposal to amend the Standards and Guidance on supervisory review and reporting framework? If not, please explain	While the NAIC agrees that some additional consideration of macroprudential issues and systemic risk as it relates to supervisory review and reporting could be incorporated, having explicit requirements would be overly prescriptive. For example, we recommend replacing the assessment of "<u>any</u> sources of systemic risk" with assessment of "<u>material</u> sources of systemic risk" or something similar in paragraph 74.
9	Do you agree with the above proposal to amend the Standards and Guidance on macro-prudential surveillance? If not, please explain	There appears to be an overemphasis on prescriptiveness in guidance material which could be perceived as diluting the principle of proportionality. A jurisdiction should be able to utilize the methods and data for the number and type of insurers for which the risk concerned is best captured from the perspective of the jurisdiction's insurance supervisors.
10	Do you agree with the above proposal to amend the Standards and Guidance on macro-prudential surveillance? If not, please explain	Please see our answer to question 9.
11	What should be the role of supervisory stress testing? Please elaborate	Stress testing is useful for the supervisor to assess impacts for "what if" scenarios; however, there are limitations to the use of supervisory stress tests that also need to be recognized. In particular, any particular supervisory stress may not be meaningful for a broad group of firms. Thus, these stress tests should be used in conjunction with other tools.
12	Is the development of an Application Paper on macro-prudential surveillance deemed useful? Please elaborate	Micro and macroprudential monitoring should be responsive to developments in the market; however, it is impossible to delineate all of the issues that will be of concern. Thus, support from an Application Paper on macro-prudential surveillance would be helpful and should be informed from ongoing supervisory discussions and consideration in supervisory colleges.

		Such an Application Paper may also address how supervisors should address situations where there are potential conflicts in micro and macroprudential concerns.
13	What elements could be addressed in such an Application Paper?	Please see our answer to question 12.
14	Are the proposals on macro-prudential surveillance as described in section 3.1 appropriate? Please elaborate	Assuming the reference to 3.1 should be to 3.2, one issue that this section does not address is that there may be times where there are potential conflicts between the application of micro and macroprudential risk considerations. For example, insurers are expected to hedge their risks, accomplished many times through various derivatives, yet derivative collateral calls are a liquidity risk consideration. However, both these items are important to an individual insurer's financial health. This will be an important issue to address when considering expectations regarding supervisory responses.
15	What are the expected costs and benefits of the proposals on macro-prudential surveillance as discussed in section 3.1	The NAIC assumes that the reference to 3.1 should be to 3.2.
16	Do you agree with the above proposal to amend the Standards and Guidance on ERM? Please elaborate	Regarding the first bullet point under paragraph 90, it is not clear what an "enforcement mechanism" means. Assuming it refers to the supervisor's ability to enforce the new standard, this is not necessary as the supervisor having the authority to apply or enforce a requirement is implied across all the ICPs. Also, as part of the first bullet point, the reference to "…require IAIGs, and other insurers as necessary…" is awkward. If the new standard is intended for ICP 16, then the standard is applicable to all insurers, subject to the principle of proportionality.
17	Do you agree with the above proposal to apply the more detailed requirements on liquidity planning and management to IAIGs, and other insurers as necessary? Please elaborate	Yes and no. The proposal is appropriate for IAIGs but not for non-IAIGs. The proportionality principle in paragraph 66 (as inherent in ICPSs in general) should allow a jurisdiction's supervisor to establish the appropriate requirements for their markets.
18	Do you agree with the above proposal to amend the Standards and Guidance on disclosure? Please elaborate	The NAIC agrees with the need for appropriate disclosures, quantitative and qualitative, for liquidity risk management and identification. However, supervisors should have flexibility to implement requirements in a manner appropriate for their jurisdictions. In the U.S., insurers consider many elements of their policies and practices with regard to risk management as proprietary information. While supervisors appropriately may have access to this information, competitors do not. Any new material on disclosure should be drafted with these two points in mind.

19	Taking into account the objective of the public disclosure requirement, should the disclosure of quantitative information receive a higher weight in the supervisory material compared to the qualitative? Please elaborate	Non-regulator users of financial statements have limited ability to validate qualitative statements made in disclosures on a firm's liquidity risk management program. Thus, for purposes of public disclosure, having the quantitative information may be more useful, as they will allow a sophisticated user of the financial statement to form his/her own view about an individual insurer's liquidity risk.
20	Are the proposals in 3.3.1 on liquidity risk appropriate? Please elaborate	Yes, enhancements to liquidity management and monitoring are appropriate for addressing macroprudential concerns. These enhancements will also have benefits for microprudential monitoring purposes.
21	Do you agree with the above proposal to amend the Standards and Guidance on macroeconomic exposure and ERM? If not, please explain	While the NAIC agrees with the concept, the actual language used to describe the new requirement and its level of prescriptiveness will be important for any definitive answer to this question. The ORSA – Own Risk and Solvency Assessment – is meant to be the insurer's document, so the supervisor should avoid being overly prescriptive in directing the insurer how to assess its own risks and solvency.
22	Are the proposals in 3.2.2 on macroeconomic exposure appropriate? Please elaborate	Please see our answer to question 21.
23	Do you agree with the above proposal to amend the Standards and Guidance on counterparty exposure? If not, please explain	While the NAIC agrees with the concept, again, the actual language used will be important to our ultimate support of such amendments. See also our response to Question 21 on the need to avoid being overly prescriptive with the ORSA.
24	Are the proposals in 3.2.3 on counterparty exposure appropriate? Please elaborate	Assuming the reference to 3.2.3 should be to 3.3.3, as to adding a standard: • The NAIC agrees with the concept, particularly for IAIGs. • As to the reference to "other insurers as necessary" please see previous comments on Question 6. As to adding appropriate guidance: the NAIC agrees with the concept but care should be taken with the level of prescriptiveness even in guidance.
26	Do you agree with the proposals on supervisory coordination, including CMGs? If not, please explain	Please see our response to question 29.
27	Do you agree with the proposals on recovery planning? If not, please explain	Please see our response to question 29.

28	Do you agree with the proposals on resolution planning? If not, please explain	Please see our response to question 29.
29	Are the proposals as discussed in section 3.3 on crisis management and planning appropriate? Please elaborate	Assuming the references in question 29 should be to section 3.4 rather than 3.3, the proposal at the end of section 3.4 is to make no change to the applicable ICPs and ComFrame related materials. We agree that the standards and guidance should continue to reflect that resolution regimes can provide for broad regulatory authority with necessary flexibility to address problems as they arise, rather than focusing on prescriptive statutory frameworks or required explicit powers.
30	Do you agree with the above proposal to amend the Standard on powers of intervention based on macroprudential surveillance? If not, please explain	Extreme care needs to be taken before proposing language around a standard on powers of intervention for macro-prudential purposes. While in most cases, micro and macroprudential objectives are aligned, there may be exceptional situations where they are not. Thus supervisory mandates, as well as legal, and fiduciary considerations will need to be considered and will require that the IAIS remain non-prescriptive on this issue.
31	Do you agree with the above proposal to amend the Standards and Guidance on preventive and corrective measures? If not, please explain	Please see our answer to question 30.
32	*Are the proposals in section 3.4 on powers of intervention appropriate? Please elaborate*	*No response*
33	*What are the expected costs and benefits of the proposals on powers of intervention in section 3.4*	*No response*
34	Are there any further considerations on Section 3? Please elaborate	As the IAIS moves from concepts to actual text, it should be open to finding the most appropriate way to incorporate the relevant recommendations. The incorporation of the holistic framework seems fragmented, as proposed concepts are sprinkled throughout a variety of ICP standards, guidance and ComFrame. Consideration should be given to revamping ICP 24 to potentially including the salient elements of the holistic framework. While there is no perfect way of incorporating the holistic framework in the IAIS supervisory material, the IAIS should find the most appropriate and practical way to "tell the story" about systemic risk assessment and mitigation.
35	Do you agree with the approach to the global monitoring exercise as described above? Please elaborate	Outside of the IAIG process, the IAIS should facilitate discussions amongst supervisors regarding areas/risks of concern, and jurisdictions should respond to those as needed (e.g., industry-wide data responses at first to assess the level of materiality for an item in that

		jurisdiction, with perhaps follow up detailed data if the level of activity is higher in the jurisdiction). The IAIS should obtain its data about those risks from the jurisdiction, and the level of detail of that data should be dependent on the materiality of the risk/activity in question within the jurisdiction.
36	Should the IAIS consider changing the identification process and criteria for the selection of insurers for inclusion in the data assessment? Please elaborate	As for the identification process, the NAIC supports the discontinuation of annual identification of G-SIIs. We support the proposal for Phase III to be amended to focus on broader trend analysis. The current selection criteria which limits the data collection to 50+ insurers seems appropriate.
37	How should these criteria compare to the criteria used to determine whether an insurance group is an IAIG? Please elaborate	The criteria for firms that are included in G-SII Assessment Exercise have a higher threshold for size and a lower threshold for international activities than criteria for firms that are included as an IAIG. The NAIC agrees with keeping the criteria separate as the purpose is different. The G-SII Assessment Exercise allows for supervisors to add firms by judgment, which is sufficient rather than being overly prescriptive in expanding the selection process for the ABA.
38	*Are the proposed changes to the Intra-financial assets (IFA) and Intra-financial liabilities (IFL) indicators appropriate? Please explain*	*No response*
39	*Are the proposed changes to the Derivatives indicator appropriate? Please explain*	*No response*
40	*Are the proposed changes to the Level 3 assets indicator appropriate? Please explain*	*No response*
41	*Are the proposed changes to the Derivatives indicator appropriate? Please explain*	*No response*
42	*Are the proposed changes to the Short term funding (STF) and Liability Liquidity (LL) indicator appropriate? Please explain*	*No response*
43	*Is the proposal to drop the Non-policy holder liabilities and non-insurance revenues and Turnover indicators appropriate? Please explain*	*No response*
44	*Are the suggested changes to the indicators appropriate in improving the consistency*	*No response*

	with the banking methodology? Please elaborate	
45	*Are the suggested changes to the indicators appropriate in addressing the unintended consequences in the assessment of banking subsidiaries within the Insurance Pool? Please elaborate*	*No response*
46	*Are the proposed changes to the weighting scheme appropriate? Please explain*	*No response*
47	Do you agree with the move towards a more absolute approach to the assessment of systemic risk stemming from the failure or distress of individual insurers? Please elaborate	Yes, the NAIC agrees with moving to a more absolute approach to the assessment of systemic risk, because the relative ranking does not capture if the systemic risk of the entire sample increased or decreased. The absolute approach should capture a firm's change in systemic risk and the ABA should capture the sector's change.
48	Are there other considerations on the cross-sectoral analysis? Please elaborate	Cross-sectoral analysis should strive to not only capture banking and insurance, but also the asset management sector, as that sector can engage in the same systemic activities. For example, asset management firms are active in securities lending, repos, and derivatives trading with banks and insurers as their counterparties.
49	*Are there other, additional analyses that the IAIS should apply to support the assessment? Please elaborate*	*No response*
50	Do you agree with the move away from setting a (fixed) threshold that results in a binary classification of insurers as either systemic or not? Please elaborate	Yes, the NAIC agrees, particularly to the extent that the threshold continues to be applied to scores that are based largely on a relative ranking of firms. Relative rankings may not be indicative of the systemic importance of a firm to the overall market.
51	Are there any considerations on the criteria that may be used to trigger further analysis or specific discussions within the IAIS? Please elaborate	To the extent that the scores continue to be based largely on a relative ranking, and given previous deeper dive discussions on the highest ranking firms, the criteria used to trigger a discussion going forward should consider the firm's overall score and the change in the firm's score relative to the change in the average score. For example, discussion could be limited to those firms within the top X ranking firms that had an annual percentage change in score exceeding Y times the percentage change in the overall average score.
52	Do you support the development of a quantitative metric to measure liquidity risk?	Quantitative metrics can be useful to assess liquidity risk concerns; however, a simplified generic metric is unlikely to provide sufficient insights. As a suggestion for developing such a metric, given the significance in size and importance of IAIGs to various jurisdictions and

	Do you have suggestions for the development of such a metric	markets, a reasonable approach could be to construct requirements for stress tests and guiderails for IAIGs to use in their own liquidity stress testing (which most do already). The next step could be more standardization of the actual modeling exercise itself. This would also give time for jurisdictions to develop and have experience with their own solutions to liquidity stress tests, which could inform IAIS work.
53	*Are there any other ancillary indicators that the IAIS should consider?*	*No response*
54	*Are there ancillary indicators that should be dropped*	*No response*
55	*What are the expected costs and benefits of the proposals on individual insurance monitoring as discussed in section 4.1*	*No response*
56	Do you agree that the sector-wide monitoring should have an annual assessment including a possibility for specific, more detailed assessments when needed? Please elaborate	As noted in paragraph 167, the IAIS has yet to develop the objectives, scope, structure and modalities of the data collection. Once the IAIS has developed its thinking on these points, the proposed approach should be consulted upon, along with the results of IAIS analysis of the relevance of other data collections referenced in paragraph 171; at that point we can be better informed to respond to this question. Aggregated data collected from supervisors may be resource intensive for both supervisors and insurers if it requires standardization to IAIS definitions. At a minimum, sector-wide data collection and analysis should be limited to specific activities/exposures identified as having the potential for systemic concern. In addition, there should be periodic reassessments of whether particular data items continue to be collected.
57	Do you have additional suggestions on how to identify levels and trends for the sector-wide assessment of systemic risk? Please elaborate	Cross sector and cross market comparisons are useful to compare changes in the level of an activity in the insurance sector to changes in the overall level of an activity. In addition, changes in an activity over time could be compared to changes in overall economic indicators or a broader financial market of which the activity is a part. Stress testing and reverse stress testing may also be useful for assessing systemic risk.
58	Do you agree that the additional sector-wide data collection should be based on a representative sample of insurers from relevant jurisdictions, using aggregate data from legal entities? Please elaborate	The first step in the data collection process should be to identify potential activities and exposures for which there are systemic concerns. Then the IAIS should consider whether data already collected as supplemented with public information is sufficiently indicative of sector wide trends. If additional information is deemed needed, the IAIS could survey relevant jurisdictions to ascertain what data they already have and could readily provide. After these steps, the IAIS should then be in a position to make a determination whether additional sector-wide data should be gathered from jurisdictional supervisors.

59	Do you have alternative suggestions on how to identify appropriate samples for the additional sector-wide data collection of systemic risk	Please see our answer to question 58.
60	Do you agree that the IAIS seeks to extend the use of other IAIS data collections for the purpose of sector-wide monitoring, where relevant? Please elaborate	Yes. In paragraph 171, the IAIS clearly states its intention to use other IAIS data collections for the purpose of sector-wide monitoring.
61	*What are the expected costs and benefits of the proposals on sector-wide monitoring as discussed in section 4.2*	*No response*
62	Do you agree with the proposal for the transparency towards participating insurers and the public? Please elaborate	The NAIC supports disclosing the results of the G-SII Assessment Exercise to firms on request as it provides companies with helpful feedback for risk management. The NAIC also supports publishing aggregated trends, as long as the results do not reveal any confidential data that were submitted by participating firms. Increased transparency is important, but the IAIS should first ensure that the data flowing into sector-wide trends and any resulting analyses is credible.
63	Are there any further considerations on Section 4? Please elaborate	Paragraph 170 notes, “baseline monitoring can be based on data collected from national supervisors on an aggregated basis.” As not all IAIS members are structured on a national basis, future IAIS work on this topic should refer to “jurisdictional supervisors”.
64	Do you agree with the proposed implementation assessment as described in section 5? Please elaborate	The NAIC is supportive of having a robust and transparent implementation assessment and the IAIS assisting supervisors who require such assistance in implementing elements of the holistic framework as long as the supervisors are the beneficiaries of the process. Assessing how jurisdictions implement the policy measures and how proportionality and supervisory discretion is being applied should help inform the IAIS as to whether its policy measures are fit for purpose and what challenges for implementation may exist in practice. However such assessments should not be used to second guess decisions and actions of jurisdictional supervisors; the role of the IAIS is an international standard setter, not the supervisor of insurance supervisors.