

GFIA response to IAIS consultation on the review of the Global Monitoring Exercise – Individual Insurer Monitoring assessment methodology

General

GFIA welcomes this consultation, but notes it proposes changes without supplying any quantitative support. This makes it complex to assess the impact of the proposed modifications, such as changes in weightings or denominators. For such questions, it is important to evaluate not only the rationale behind the proposed changes, but also the appropriate degree of adjustment.

The industry notes that, at the time of writing, no feedback has been shared or published regarding the ancillary risk indicators on which the IAIS consulted earlier in 2025. These indicators should therefore not be incorporated into the GME/IIM methodological update. Moreover, it appears premature to include them in the data collection templates, even on an indicative basis.

Question 1: What are your views on the proposed revisions to the level 3 assets indicator with respect to the accuracy and consistency of the methodology?

GFIA agrees with the idea of improving comparability across jurisdictions by correcting discrepancies arising from differences in accounting treatment. For this purpose, GFIA understands that the Level 3 assets indicator have been revised to include rows 30.4 and 30.5.1. However, there appears to be a lack of consistency in the aggregation of amounts under different accounting standards, such as fair value, acquisition costs, or amortised costs. While some consistency would be desirable from an accuracy perspective, unification is difficult due to differences in accounting standards across jurisdictions and among insurers. Therefore, it is important to note the difficulty of simply comparing the valuation amounts of Level 3 assets resulting from the amendment.

Question 2: Are there any potential challenges, limitations or unintended consequences associated with the new proposed definition of the level 3 assets indicator?

It should be noted that differences in accounting standards across jurisdictions can result in large discrepancies in the valuation amounts of Level 3 assets.

Question 3: Do you have any further feedback with regards to the proposed change to the level 3 asset indicator?

Regarding Row 30.4 and 30.5, when fair value assessment is required, it is assumed that some insurers may have difficulty in making such valuations or may require additional time to make calculations. Therefore, GFIA members would appreciate your understanding and agreement that this can be handled on a best-effort basis, such as allowing for simplified methods, or substitutions at acquisition cost.

Question 4: Do you have any views or suggestions on the potential introduction of a complexity category or indicator?

The introduction of a complexity indicator should not be addressed within the current discussion but should instead be the subject of a dedicated consultation. Indeed, the complexity of an entity can be perceived very differently from one authority to another, particularly due to regional or national specificities. Moreover, complexity is inherently multifactorial. It depends on various factors, including:

- Legal structure,
- Nature of activities,
- Geographical presence
- Investment practices

Many of these factors are already covered by existing indicators. This is a sensitive issue which, if handled hastily, could prove extremely punitive for certain entities, particularly due to potential methodological biases in the assessment approach.

Should evaluation items be established and data requirements clarified, GFIA members would appreciate it if careful consideration could be given to avoid excessive workload increases for insurers.

Question 5: Do you have any comments on the potential introduction of an adjustment to the asset liquidation indicators' scores based on a measure of the insurance group's aggregate liquidity risk? If so, do you have any views on the use of the ILR as the measure of liquidity risk?

Since the score may vary significantly depending on the setting of thresholds and multipliers, GFIA members would appreciate it if careful consideration could be given to these settings in terms of risk assessment.

Question 6: Do you have views on the appropriate level of the Liquidity Ratio Threshold?

Since specific figures and the basis for setting them have not yet been provided, we find it difficult at this time to comment on the appropriateness of the Liquidity Ratio Threshold (LRT). When setting up the LRT in the future, we would appreciate it if reasonable grounds could be provided. In addition, as the setting of thresholds can significantly affect the reflection of asset liquidation indicators, careful design is desirable.

Question 7: Do you have views on the appropriate magnitude of the haircut(s) and multiplier(s) that could be applied?

Since specific figures and the basis for setting them have not yet been provided, GFIA finds it difficult at this time to comment on the appropriate size of haircuts and multiplier. When setting up the Liquidity Risk Adjustment (LRA) in the future, it would be appreciated if reasonable grounds could be provided. In addition, as the setting of multiplier and haircuts can significantly affect the reflection of asset liquidation indicators, careful consideration is desirable.

Question 8 : Do you have views on the proposed simplification of derivatives data collection?

As it will help clarify evaluation items and reduce the reporting burden, GFIA agrees with the direction of simplification.

Question 9 : Do you have views on the proposed simplification of deductions from total borrowing?

As it will help clarify evaluation items and reduce the reporting burden, GFIA agrees with the direction of simplification.

Question 10: Do you have views on the proposal for the updated IFA indicator?

N/A

Question 11: Do you have views on the proposal for the updated IFL indicator?

In the case of the IFA indicator, the aggregation of derivative liabilities of financial institutions has been simplified. However, a similar approach has not been implemented regarding the IFL indicator. GFIA would appreciate it if the IAIS could elucidate the reasoning behind this distinction. Furthermore, if this item is aggregated, it is necessary to aggregate derivatives with financial institutions as counterparties, and GFIA believes that the current proposal will not lead to substantial simplification.

Question 12: Do you have views on further changes due to the proposed amendments to IFA/IFL, including updating the short-term funding indicator and changing the ILR calculation?

N/A

Question 13: Do you have further suggestions on potential simplifications of the ILR calculation with the aim to reduce the data reporting burden?

Under the current calculation method, positions with unrealised gains on derivative contracts are calculated as the IFA, and positions with unrealised losses on derivative contracts are calculated as the IFL. However, GFIA believes that consolidating both on a net basis could be an alternative option to reduce the reporting burden.

Question 14: Do you have views on the proposed adjustments to the indicators' weighting?

N/A

Question 15: Do you have other views on the indicators' weighting?

N/A

Question 16: Do you have any views on updating the denominators of the IIM absolute assessment methodology?

Updating the denominators is essential, as the values currently in use no longer reflect the realities of the (re)insurance market. Their continued application leads to a distorted view of certain aspects, such as the substitutability among market players.

Furthermore, to ensure a more accurate understanding of the various market participants once the indicators have been updated (eg, level 3 assets, number of countries, IFA, IFL, etc.), it is essential that the revised denominators reflect these changes in the calculation of the indicators, so as to avoid a distorted representation of reality.

Question 17: Do you have any other views on the denominators of the IIM methodology?

N/A

Question 18: Do you have any views on the proposal of increasing asset thresholds to account for inflation?

GFIA agrees with this proposal. However, GFIA believes that it is necessary to establish reasonable selection criteria for the inflation rate, taking into full consideration that the inflation rate may reflect the background and characteristics that each country or region has.

Question 19: Do you have any views on the proposed amendments to enhance regional balance and diversity (including the total assets USD 55 billion reference) in the Insurer Pool?

GFIA supports the IAIS in formulating a defined threshold of total assets for identifying insurance groups that could be considered by supervisors to participate in the IIM exercise with the aim of strengthening the regional balance and diversity in the insurer pool. However, setting this threshold at USD 55 billion is a disproportionate downgrade from the previous reference of 'approaching 65 billion'.

This change is also disproportionate compared to the increase in the threshold for groups being committed to participate in the exercise (from USD 65 billion threshold to USD 70 billion).

Furthermore, regardless of the final threshold level, whether or not to include insurers with total assets exceeding the threshold in the insurer pool should be considered from a comprehensive perspective, considering the characteristics of the respective insurers and their future growth potential.

Question 20: Do you have any other comments on the Insurer Pool selection criteria?

N/A

Question 21: Do you have any other feedback on the GME methodology for assessing systemic risk in the global insurance sector?

Since continuous analysis is necessary to properly identify and assess systemic risk, GFIA agrees with the ongoing reviews, and improvement of the IIM assessment methodology and the ancillary indicators. At the same time, GFIA would like to ensure the principle of proportionality at the point of implementation. In addition, as it would generally be overly burdensome for insurers to create new data that they do not hold, GFIA would like to ask for your understanding and agreement to such data being handled and submitted on a best-effort basis.

In implementing the current GME, there are many aspects that are difficult to determine from the specifications and workshops alone. GFIA recognises that the IAIS has accumulated expertise in the GME, which has been conducted six times so far, and GFIA looks forward to sharing key Q&As from each jurisdiction with the insurer pool.

Question 22: Do you have any feedback on the IAIS reporting of the outcome of the GME to the public (through the Global Insurance Market Report) and to participating insurers?

At last year's GIMAR, it was noted that the characteristics of systemic risk within the insurance sector differ greatly depending on the type of business, such as non-life, life, and life/non-life combined. Therefore, in analysing the results of the GME evaluations in GIMAR, PIRs, etc., it is expected that the risk characteristics of each type of life and non-life insurance business will be clarified and compared more clearly.

Contacts

Angus Scorgie, chair of the GFIA Systemic Risk working group (scorgie@insuranceeurope.eu)

Marianne Willaert, GFIA secretariat (secretariat@gfiainsurance.org)

About GFIA

The Global Federation of Insurance Associations (GFIA), established in October 2012, represents through its 43 member associations and 3 observer associations the interests of insurers and reinsurers in 69 countries. These companies account for 89% of total insurance premiums worldwide, amounting to more than \$4 trillion. GFIA is incorporated in Switzerland and its secretariat is based in Brussels.