

**International Association of Insurance Supervisors (IAIS)
Public Consultation: Activities-Based Approach to Systemic Risk**

The CIA submitted comments on the public consultation regarding an [activities-based approach to systemic risk](#). This document presents the responses submitted.

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's one.

Yes.

Q2 Does the proposed definition allow the assessment of the most significant potential sources of systemic risk?

Yes.

Q3 What are your views on the comparison between ABA and EBA?

Comparison is reasonable; the use of the proportionality principle will be important to companies who are minimally exposed to the subject risk.

Q4 Do you agree with the IAIS's conceptual approach? Please explain any suggested changes.

The conceptual approach is sound.

Q5 Do you agree with defining 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?

Yes.

Q6 Do you agree with the two main risk exposures identified for the purposes of an ABA (i.e. liquidity risk and macroeconomic risk exposures)? If not, how could this be improved?

Yes.

Q7 How should counterparty exposure be treated under the ABA?

Counterparty exposure should not be included in ABA if the proposed changes are implemented.

Q8 How should substitutability be treated under the ABA?

Substitutability should not be included in ABA if the proposed changes are implemented.

Q9 Should any other activity or risk exposure be considered potentially systemically risky under this framework?

No.

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.

Yes.

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?

Yes.

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

None identified.

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

Yes.

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?

Yes.

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

Insurers that have a well-diversified asset portfolio may not be materially exposed to any one sector; these exposures should be identified but an insurer's analysis would be proportional to the degree of significance.

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

None identified.

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

No comment.

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

No comment.

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

Yes.

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?

No comment.

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

Yes.

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

No comment.

Q23 How can the (residual) macroeconomic risk be appropriately measured, taking into account the extent that this risk is managed through ALM?

No comment.

Q24 Are there any other important considerations that are not included?

No comment.

Q25 Do you have any comments on the potential policy measures considered?

No comment.

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?

No comment.

Q27 How could costs and benefits be measured by the IAIS?

No comment.

Q28 How could a materiality threshold be set?

No comment.

Q29 Are there other aspects the IAIS should consider in assessing the implications of ABA work?

No comment.

Q30 What impact, if any, do you think the ABA should have on the revision of the G-SII Assessment Methodology?

No comment.

Q31 Do you have any other comments on the approach taken?

- The IAIS is correct in considering an activity-based approach to assessing systemic risk. However, we believe that this approach will be challenged by the following:
 - The ability to define these activities precisely and the potential impact to an insurer; and
 - The ability of insurers to quantify their exposure to these activities, as defined, and any actions to mitigate the impact of these activities.
- We encourage the IAIS to address these issues as a part of its GAP analysis as outlined in this paper.