

Question	Comments
13	<p>The proposed three-year transition period is premised on using BCR as a foundation for HLA. On the other hand, when the ICS is developed, it will replace the BCR in its role as the HLA's foundation. While ICS levels are not clearly set at present, we are concerned that G-SIIs could possibly be required to hold more capital in cases where HLA levels are raised on the foundation of the ICS. Therefore, it will be necessary to set another appropriate transition period once the ICS replaces the BCR.</p> <p>In addition, there appears to be an inconsistency between Paragraph 54 (which explains that the full amounts computed for the BCR Uplift would be reflected during the transition period) and Paragraph 53 (which indicates the amount could be phased in over a transition period). How the amount will be treated during the transition period should be clarified.</p>
15	<p>We understand bucketing helps increase risk sensitivity of the HLA requirement and create incentives for G-SIIs not to become more systemic. In order that bucketing and the level of factors associated with each bucket to be appropriate, we believe that G-SII Assessment Methodology (including the calculation method of the total score) should at least be able to appropriately reflect the level of systemic risk of a G-SII.</p> <p>With regard to the consultation, the calculation of the total score under the G-SII Assessment Methodology lacks necessary information and contains structural problems as described below. We are not currently able to properly determine the appropriateness of bucketing (and the appropriate level of HLA to be raised). We therefore think the introduction of bucketing should be postponed until these problems are resolved.</p> <ul style="list-style-type: none"> - The details concerning the total score under the G-SII Assessment Methodology and its relationship to additional quantitative assessment (IFS assessment approach), and the cut-off point, etc. are unclear. (In contrast, the G-SIBs bucket allocation, average score, and thresholds, etc., are publicly available.) - The total score under the current G-SII Assessment Methodology is based on a relative assessment of scores attributable only to the insurance sector. Therefore, if a G-SII has reduced its systemic risk but its position within the group of G-SIIs has not changed, no credit would be given for such efforts, i.e., the G-SII may still have a high total score and be allocated in a higher bucket. It would also be difficult to assess the effects of bucketing, including the changes over time of systemic risk held. <p>The total score under the G-SII Assessment Methodology is sensitive to foreign exchange conversion. Buckets to which G-SIIs are allocated could change solely on the basis of exchange rate fluctuations. Therefore, consideration should be given to the easing of sharp volatility. Such considerations could include applying thresholds on the effect of fluctuations, and taking volatility into account on a local currency basis, etc.</p>
19	<p>In order that the HLA requirement effectively incentivize insurers to become less systemically important, we do not think the scale factor level should be periodically changed for the reasons illustrated below.</p>

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	<p>In addition, when determining the level of scale factor based on reference data, due consideration should be given to what point in time the data is from. It is assumed that each insurance group has been constantly reducing sources of systemic risk since the financial crisis in 2007 / 2008. The scale factor level could be determined considering such a trend.</p> <p>The above-mentioned comments are not intended to deny the review and refinement process used for the HLA requirement including the BCR, as described in the paragraph 109. We call for a HLA requirement, which appropriately reflects the effect of reductions in systemic risk.</p> <p>The following is an example illustrating what happens if a G-SII reduces NTNI activities by 10% each year and the scale factor is changed three years later.</p> <p>Even if the group of G-SIIs reduces the relative amount of NTNI activities, which are regarded as major sources of systemic risk, periodical changes in the level of the scale factor would lead to a scale factor increase resulting in a rise in the level of HLA, which would be equal to the level the HLA was at when first implemented.</p> <ul style="list-style-type: none"> - Implementation <ul style="list-style-type: none"> Uplifted BCR 133 of which traditional insurance 106, NTNI 27: NTNI ratio 20% When gamma is 0.9, scale factor would be 3.57 When β is 15%, HLA is 20.0 - A year later <ul style="list-style-type: none"> Uplifted BCR 133 of which traditional insurance 109, NTNI 24: NTNI ratio 18% Scale factor is 3.57 (no change from the previous year) HLA is 18.7 (-1.3 from the previous year) - 2nd year <ul style="list-style-type: none"> Uplifted BCR 133 of which traditional insurance 111, NTNI 22: NTNI ratio 16% Scale factor is 3.57 (no change from the previous year) HLA is 17.5 (-1.2 from the previous year) - 3rd year <ul style="list-style-type: none"> Uplifted BCR 133 of which traditional insurance 114, NTNI 19: NTNI ratio 14% Scale factor is 4.32 (changed) HLA is 20.0 (+2.4 from the previous year)

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21	Please refer to our comments on Q15.
22	<p>Although we understand that gamma would not be exactly 1 considering the argument of this consultation document, gamma should be set at a level near 1 to the extent possible, for the following reasons:</p> <ul style="list-style-type: none"> - As the IAIS position on systemic risk says, 'NT and NI activities within insurance firms or groups may generate or amplify systemic risk', while 'there is little evidence of traditional insurance either generating or amplifying systemic risk'. - The level of gamma should be raised so that the impact of NTNI activities, which are regarded as major sources of systemic risk, would be relatively increased, thereby increasing HLA sensitivity to the risk.
26	<p>While currently we do not oppose the use of approaches based on risk factors, it is important to reflect the results of ongoing field-testing and comments on consultations in the calibration of the factors such as the scale factor and the level of gamma.</p> <p>When the calibration is determined, the IAIS should publicize the rationale for it and obtain stakeholders' input through a consultation.</p>
32	<p>Major premises of the HLA, the G-SII Assessment Methodology and the definition of NTNI are under revision. We understand that the standard used to assess the systemic risks of insurers remains to be defined.</p> <p>Depending on the results of the above revision, our comments on this consultation may also change. Therefore, we believe another consultation should be conducted as soon as the G-SII Assessment Methodology and the definition of NTNI are revised.</p> <p>As pointed out in our comments on Q15, the current G-SII Assessment Methodology lacks transparency concerning G-SII designation, which makes it difficult to assess the appropriateness of G-SII designation. Also, it is a relative assessment system of total scores, which contains the structural problem of not properly giving credit to efforts to reduce systemic risk. We believe the current G-SII Assessment Methodology has room for improvement and should therefore be improved when revised.</p>