

Question	Comments
1	<ul style="list-style-type: none"> - How to adjust the score calculation process following the introduction of the absolute reference values should be clarified. - If the absolute reference values are introduced, the assessment process should ensure that, if the insurance sector continues to reduce systemic risk by decreasing NTNI activities, etc., the number of G-SIIs will accordingly be reduced. - Therefore, in order to appropriately reflect each insurer's efforts to reduce systemic risk, the relevant indicator weightings that decrease as a result of the use of the absolute reference values should not be adjusted either within each category or on an overall basis, but should be subject to an absolute assessment. We are concerned that the right balance among the indicators will not be ensured if adjustments are made to the indicator weightings within each category or on an overall basis to maintain the sum of the weighting percentages at 100%.
5	<p>From the perspectives of completeness, objectivity, reliability, etc., it is appropriate to use the BIS statistics as an absolute reference value. (However, if completeness is valued, various types of data offered by private enterprises and organizations including Markit, DTCC, and the International Swaps and Derivatives Association are also available. It is worth noting that, in times of further centralization of clearing, data gathered by clearing houses such as DTCC could be utilized, in addition to those collected from banks.)</p>
6	<p>If total global reinsurance premiums written are used as an absolute reference value, the numerator in the indicator score calculation will be "inwards reinsurance liabilities", causing inconsistency in the nature of the denominator and the numerator. However, changes in both are generally linked. As long as available absolute reference values are limited, total global reinsurance premiums written are an appropriate indicator.</p>
8	<p>Although data responsiveness and data quality concerns are pointed out in the consultation document, the importance and appropriateness of the intra-group commitments indicator were made clear during the 2008 financial crisis. For this reason, the IAIS should consider the continued use of the indicator in Phase II, which has a higher degree of objectivity and transparency, by identifying problems that cause data responsiveness and data quality concerns, and making improvements including revisions to the technical specifications and templates as well as clarification of data definitions.</p>
10	<ul style="list-style-type: none"> - If the weighting of the indicators, which will be moved to Phase III were to be distributed evenly to the remaining indicators in each category, each remaining indicator in the relevant categories would increase in weight. This is likely to disturb the balance among the indicator weightings and question the consistency and reliability of the full score. Additionally, in this case, while the relevant categories' weighting percentages and impact on a score determined in Phase II will remain unchanged, the indicators that are moved from Phase II will additionally be considered in Phase III. We are concerned that this could result in overestimation of these categories in the assessment process. - Therefore, if adjustments were to be made to the indicator weightings following the movement of the two indicators, these adjustments should involve not only the indicators in the relevant categories but also those in other categories. It would be reasonable to increase the weighting for specific indicators, rather than evenly distribute the weighting of the two indicators on an overall basis. For example, it is particularly worth considering increasing the weighting for the "Size" category, because an insurer's size is expected to directly indicate the degree of the impact on the financial system in the event of its failure.
11	<ul style="list-style-type: none"> - As opposed to the currently used gross notional value, net fair value and negative net fair value are more appropriate options that could be considered. When net fair value is used, the amount of cash collateral should be deducted to enable a more appropriate assessment. - Even if notional value continues to be used as a data element, such value should be the net amount of transactions with the same counterparties where changes in fair value can be offset with each other (e.g. long and short positions of Nikkei 225 futures).
12	<ul style="list-style-type: none"> - Given the impact on the financial system through market trading, in Phase II, it is appropriate to consider an assessment based on the transaction amount (the numerator), rather than the turnover "ratios". - Since insurers often utilize short term funding to invest in highly liquid assets as part of their ALM, liquidity of these investments should be appropriately considered in Phase III.
14	<p>Rather than having a fixed number of insurers scoring above the quantitative threshold, relative stability should be achieved by reflecting each insurer's efforts to reduce systemic risk.</p> <p>[Other principle(s)] Assessment scores can be influenced by currency conversion. At least, when an insurer's score exceeds the quantitative threshold due to sharp exchange fluctuations, mitigation of such effects should be considered in Phase III.</p>
15	<p>When introducing the quantitative threshold in Phase II, it is important to not only compare potential G-SIIs with systemically important firms in other sectors, but also make comparisons of the total systemic risk within each industry.</p>
16	<p>To achieve an appropriate systemic risk assessment, activities and trading for ALM and hedging purposes should be separately assessed, to the extent possible, from those for speculative purposes.</p>
17	<ul style="list-style-type: none"> - Transparency and objectivity should be prioritized in the G-SII designation. For this reason, we support the proposed principle that "adjustments to potential G-SII status should be supported by well-documented and verifiable arguments that can be applied consistently to all insurers in the G-SII assessment process". - Regarding measures on the indicators that will be moved from Phase II to Phase III due to data responsiveness and data quality concerns, transparency should be ensured so that assessment can be made fairly across insurers (i.e. insurers that provide sufficiently responsive, high quality data and those that do not).
19	<p>In view of the data collection workload and data comparability, the definitions of the data to be gathered should be clarified in the templates and technical specifications. Moreover, how the collected data will be used should be explained to the volunteers to the extent possible.</p>
20	<p>While the consultation document describes three data elements regarding reinsurance, the number of data elements used should be reduced in the future from the standpoint of data collection workload. Among the three proposed elements, gross written premiums are the most appropriate, in view of comparability and workload. In this case, the definition of gross written premiums should be clarified.</p>
22	<p>According to "Insurance and Financial Stability", "interconnections between insurers and the banking system are relatively weak". Given the insurance industry's efforts to reduce systemic risk since then, the notion is still appropriate.</p>
24	<p>[Content] To improve transparency and objectivity with respect to the assessment methodology, the prospective G-SII should receive the following details of the discussions about it in Phases II and III.</p> <ol style="list-style-type: none"> (1) Its full score and figures for each indicator (2) The denominators in each indicator score calculation (the sums of responses from the sample insurers and the absolute reference values) (3) The quantitative threshold and how it was established in Phase II (4) Whether (and how) adjustments were made in Phase III <p>[Confidentiality] The exchange of information should be conducted confidentially.</p>
25	<ul style="list-style-type: none"> - In principle, the allocation process should be based on the individual G-SII's full score, as outlined in the HLA paper. - However, it is reasonable that insurers, which were added to the (potential) G-SII list as a result of the adjustments in Phase III, will be allocated into the low bucket.

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26	<ul style="list-style-type: none"> - Allowing insurers to exit the G-SII list, one year after designation, when their scores have improved, will provide an incentive for insurers to strive to reduce systemic risk. If an assessment is carried out annually under a sufficiently transparent, appropriate process, G-SII status should also be reviewed every year. - If the IAIS is concerned about changes to the G-SII list caused by short term variations such as accidental underestimation of systemic risk following market fluctuations, etc., it will be reasonable to appropriately consider whether such changes are permanent in Phase III. - As some G-SII policy measures need to be completed within 24 months of G-SII designation, it will be necessary to determine whether G-SIIs that exited from the list after one year should be required to complete these measures. However, this can be left to the judgement of the relevant national supervisor, and does not rationalize the proposed two-year minimum presumption of G-SII status.
27	<p>To improve transparency and objectivity with respect to the assessment methodology, the following should be made publicly available:</p> <ul style="list-style-type: none"> (1) How the quantitative threshold was established in Phase II (without disclosing figures) (2) Templates (finalized) (3) Technical specifications (finalized)
28	<p>[Disclosure to the prospective G-SII of information relevant to it]</p> <ul style="list-style-type: none"> - The prospective G-SII should receive detailed information as mentioned in our comment on Question 24. - Even when the prospective G-SII ends up not being designated as a G-SII, notification of on what grounds the final decision was made will be useful for the insurer to take appropriate measures to reduce systemic risk in the future. <p>[Disclosure to other prospective G-SIIs of information relevant to each prospective G-SII] The information on individual prospective G-SIIs includes internal factors, which should not be disclosed externally.</p>
29	<p>Given that the assessment methodology is still under development, the data used for the calculation of the scores and the resulting scores should not be made public.</p>
30	<p>To improve transparency and objectivity with respect to the assessment methodology, and encourage sample insurers to sufficiently manage systemic risk, the following should be disclosed to the insurers.</p> <ul style="list-style-type: none"> (1) The insurer's full score and figures for each indicator (2) The denominators in each indicator score calculation (the sums of responses from the sample insurers and the absolute reference values) (3) The quantitative threshold in Phase II