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IAIS Releases Updated G-SII Assessment Methodology

Introduces enhanced five-phase process for designation process

Budapest – As part of its three-year review cycle, the International Association of Insurance Supervisors (IAIS) today released an updated Assessment Methodology (2016 Methodology) for global systemically important insurers, or G-SIIs. Revisions to the initial assessment methodology, which was first published in 2013, were informed by three previous designation exercises and public comments received on two IAIS consultation papers issued in November 2015.

The 2016 Methodology outlines a five-phase approach to the G-SII assessment process that includes fact-based qualitative and quantitative elements. The IAIS has modified certain indicators used in the initial assessment methodology to address issues related to indicator responsiveness, connection with systemic risk and data quality, including reliability (across both insurers and jurisdictions). In contrast to the initial methodology, the 2016 Methodology uses absolute reference values for derivatives trading (CDS or similar derivatives instrument protection sold), financial guarantees and reinsurance indicators. The 2016 Methodology also covers all types of insurance and reinsurance, and other financial activities of global insurers.

The 2016 Methodology adopts a five-phase approach:

- Phases I and II involve the quantitative components of the 2016 Methodology, including a data collection phase (Phase I) and determination of a quantitative threshold (Phase II).
- Phase III complements the first two phases through the collection and analysis of additional quantitative or qualitative information that is not captured in Phase II indicators.
- Phase IV enables Prospective G-SIIs to receive information regarding that insurer's status through the first three Phases and present additional information relating to any aspect of the 2016 Methodology.
- Phase V combines Phases I through IV to produce an overall assessment that concludes with the IAIS' recommendation to the Financial Stability Board.

In addition to the 2016 Methodology, the IAIS released a related paper it had consulted on in November 2015 *Systemic Risk from Insurance Product Features*. This paper provides a framework that explains why certain product features and related activities may raise the potential for an insurer to pose systemic risk upon failure. It also describes the rationale for the IAIS' discontinuation of the Non-traditional, Non insurance (NTNI) product label and its replacement with a more granular and nuanced assessment of product features.

The following documents released today are available at www.iaisweb.org or by clicking [here](#):

- Global Systemically Important Insurers: Updated Assessment Methodology
- Systemic Risk from Insurance Product Features (previously referred to as Non-traditional Non-insurance activities and products)

About the IAIS: The IAIS is a global standard setting body whose objectives are to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders; and to contribute to global financial stability. Its membership includes insurance regulators and supervisors from more than 200 jurisdictions. For more information, please visit www.iaisweb.org.
