



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS



Public Consultation on draft overall ComFrame

Thank you for your interest in the public consultation on draft overall ComFrame. The Consultation Tool is available on the IAIS website from 31 July 2018.

Please note that there are five Consultation Tools for different parts of overall ComFrame, available on the public consultation webpage. This document includes questions from all of those Consultation Tools.

This document serves to facilitate the collation and organisation of comments on draft overall ComFrame before respondents formally provide their responses via the Consultation Tools.

Please do not submit this document to the IAIS. All responses to the Consultation Document must be made via the Consultation Tool to enable those responses to be considered.

Consultation Tool on Introduction to ComFrame and Glossary terms

Introduction to ComFrame

Q1 General comment on Introduction to ComFrame

Insurance Europe welcomes the opportunity to comment on the overall draft ComFrame and the IAIS' decision to grant an extended period for consultation.

On the overall consultation, Insurance Europe appreciates the IAIS' efforts to clarify how requirements are to be applied across an IAIG – ie for example, whether they are applied at the group level or the legal entity level. Additional guidance on what approach should be taken if the group-wide and legal entity supervisors have different expectations would be appreciated.

As IAIGs will be expected to comply with both – ICP-level as well as ComFrame provisions – and as the IAIS did not seek feedback on all ICP-level provisions in the previous 2017 consultation, Insurance Europe has now also included preliminary comments on ICPs in the introductions. A review of the overall regime applicable to IAIGs calls for an overall / broad consultation. Insurance Europe would therefore appreciate it if the IAIS took these comments into consideration despite going beyond the scope of this consultation.

On the introduction to ComFrame and Glossary terms, Insurance Europe continues to support proportionality as an overarching principle for all ICPs and ComFrame provisions. In terms of the description of proportional application of the IAIS material (paragraph 9, second bullet point), Insurance Europe would suggest that listing the IAIS' objectives (protection of policyholders, the sector, and financial system as a whole) is not necessary. Conceptually, supervisors will follow their defined objectives in all of their activities. The principle of proportionality is a means of how to implement / apply provisions in order to achieve these objectives which - within the framework of ICP 1 - may vary across jurisdictions (and therefore, may not cover exactly the list currently provided in paragraph 9. Insurance Europe would therefore suggest that the second bullet point be redrafted, for example as follows:

*“• Application – proportionality allows the supervisor to increase or decrease the intensity of supervision according to the ~~according to the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole~~ **nature, scale and complexity of the risks inherent in the business of an insurer. The supervisor will thereby consider the objectives of insurance supervision as defined in the primary legislation of its jurisdiction.** A proportionate application...”*

Furthermore, Insurance Europe believes that confidentiality should find reflection in the introduction as it is crucial that high standards are applied in relation to all provisions set by the ICPs and ComFrame standards.

Q2 Comment on paragraph 18

Comment Box

Q3 Comment on paragraph 19

Insurance Europe appreciates the clarification introduced in the last sentence of paragraph 19.

Q4 Comment on paragraph 20

Comment Box

Q5 Comment on paragraph 21

Comment Box

Q6 Comment on paragraph 22

Insurance Europe appreciates the reference to the principle of proportionality in paragraph 22.

Insurance Europe further suggests including in the list of “overarching concepts” the need for all ICPs/ComFrame provisions to be read in light of confidentiality. Although ICP 3 addresses information sharing and confidentiality, the need for confidentiality also exists outside of the sharing of information between supervisors. Furthermore, the references to the need for confidentiality made in some parts of the ICPs/ ComFrame provisions may give the impression that these are the only situations in which confidentiality needs to be maintained.

In addition, materiality should be reflected in the overarching concepts (as well as throughout the provisions) as it is a fundamental element of risk-based supervision.

It should also be made clear that these “overarching concepts” also apply to the various documents sitting under the ICPs/ ComFrame provisions, such as Application Papers.

Q7 Comment on paragraph 23

Comment Box

Q8 Comment on paragraph 24

Comment Box

Q9 Comment on paragraph 25

The IAIS recognises that there are “indirect” and “direct” approaches to group-wide supervision across jurisdictions, and in some cases a combination of both approaches. While the IAIS states that ICPs are neutral to either approach, paragraph 25 of ComFrame Introduction indicates that “ComFrame uses a direct approach for certain powers as indicated by relevant ComFrame standards”. It is unclear throughout the ComFrame text which powers will render the use of a direct approach.

Glossary terms**Q10 General comment on Glossary terms**

Comment Box

Q11 Comment on definition of contingency plan

Comment Box

Q12 Comment on definition of IAIG Board

In this context, a reference to CF 23.1.a and other relevant guidance on the definition of “Head of the IAIG” would be useful.

Q13 Comment on definition of liquidation

Comment Box

Q14 Comment on definition of portfolio transfer

Whilst Insurance Europe does not necessarily disagree with the proposed definition of portfolio transfer, it should be made clear that the transfer of a single policy does not trigger the same supervisory processes as transfers of all or parts of an insurer's portfolios of contracts. In some provisions under ICP 6 for example, it appears that IAIS considers the transfer of a single policy should suffice to trigger a full supervisory approval process. This would not be efficient or proportionate.

Q15 Comment on definition of recovery plan

Comment Box

Q16 Comment on definition of resolution

Comment Box

Q17 Comment on definition of resolution authority

Comment Box

Q18 Comment on definition of resolution plan

Comment Box

Q19 Comment on definition of run-off

Comment Box

Consultation Tool on ComFrame in ICPs 5, 7 and 8

Q1 General Comment on ComFrame in ICP 5

Insurance Europe generally supports the ComFrame material related to ICP5 and the acknowledgement of the principle of proportionality, with the recommendation to consider the Board collectively in the requirements for knowledge/experience (**CF5.2.a.1**).

Reference is made to the comments provided in response to the IAIS' consultation in June 2017 (<https://www.iaisweb.org/page/consultations/closed-consultations/2017/revision-of-icps-and-comframe/file/72362/members-and-stakeholders-comments-on-comframe-integrated-in-icps-5-7-8>).

General comments on ICP 5

- Insurance Europe notes that demonstrations of suitability (**ICP 5.3**) should be done initially (as it is already the case in many jurisdictions). The demonstration of suitability on an ongoing basis should only be explicitly requested by the supervisor in cases where there is a reason to question the suitability of the Board Member, Senior Management, Key Person in Control Functions or Significant Owner in place.
- Insurance Europe would suggest that the last bullet point on “other indicators” in **ICP 5.3.7** is highly subjective (compared to the other examples included in the list) and therefore may be of only limited use for supervisors in their implementation of ICP 5.
- Save as a resolution measure in exceptional circumstances, Insurance Europe would like to stress that supervisors should not be able to actively choose and appoint Board Members or other decision-making or management functions. The fourth bullet point in **ICP 5.5.1** seems to indicate that this was the case. The selection of candidates and their appointment – subject to their suitability – should remain in the responsibility of the insurer/IAIG and supervisors should not be able to actively interfere with this decision.
- Insurance Europe would also suggest that imposing additional reporting requirements and increasing solvency monitoring activities (fifth bullet point in **ICP 5.5.1**) is not the most obvious/suitable supervisory measure to take in case of governance / suitability shortcomings. The former (imposing additional reporting requirements) will not improve compliance with suitability requirements and should therefore be deleted. The latter (increasing solvency monitoring activities) is further just the realisation of the overarching concept of risk-based supervision and would not have to be listed here as a separate measure.
- Insurance Europe considers that after Significant Owners have been approved by the supervisor, supervisory measures should not overly interfere with their activities. **ICP 5.5.2** should therefore be deleted. In particular, Insurance Europe has strong concerns over the possibility for the supervisor to decide on the “suspension of the exercise of their corresponding voting rights or the nullification or annulment of any votes cast by the Significant Owners”.

Q2 Comment on ComFrame Standard CF5.2.a

Insurance Europe is supportive of the amendments made to this Standard.

Q3 Comment on ComFrame Guidance CF5.2.a.1

Insurance Europe welcomes the acknowledgement of the principle of proportionality in CF5.2a and appreciates the amendments made regarding the required competences and examples listed (deletion of “to manage the IAIG”). In particular, in two-tier systems, the competencies required for the management board are to be distinguished from those for the supervisory board.

However, Insurance Europe would like to note that as currently phrased, this Guidance requires from Board members on an individual basis “knowledge of and experience with international business and processes, as well as different business models”. This is only an acceptable requirement for the Board collectively. To this end, we suggest replacing “knowledge of and experience with” with “knowledge of or experience with”, or alternatively, “knowledge of and experience with international business and processes where appropriate, as well as different business models”.

Q4 General Comment on ComFrame in ICP 7

Insurance Europe generally supports the ComFrame material related to ICP7 and the proposed revisions, with the recommendation to include the principle of proportionality in several provisions:

- The principle of proportionality should be introduced in the competence requirements for the Board (**CF7.3.a & CF7.3.a.1**).
- Proportionality is also required for conflict of interest policies. Further, ComFrame should focus on setting measures to address conflicts of interests rather than avoiding them in all instances (**CF7.3.b to CF7.3.b.2**).
- The requirement for annual explanation of strategy should be replaced (eg by periodically), so that supervisors can require it on a more proportionate basis (**CF7.2.b**).

The consultation document seems to repeat the text of ICP 5 instead of ICP 7 in the beginning of the chapter. Insurance Europe assumes that the text of ICP 7 is not intended to change from:

“The supervisor requires insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of the insurer’s business and adequately recognises and protects the interests of policyholders.”

Reference is made to the comments provided in response to the IAIS’ consultation of ICP 7 in June 2017 (<https://www.iaisweb.org/page/consultations/closed-consultations/2017/revision-of-icps-and-comframe/file/72362/members-and-stakeholders-comments-on-comframe-integrated-in-icps-5-7-8>), as well as in response to the draft application paper on the composition and the role of the Board in August 2018.

General comments on ICP 7:

- While Insurance Europe would not object to the areas listed in **ICP 7.3.1** of which the Board should have (or have access to) knowledge and understanding of, these requirements fit better under ICP 5 and in fact, represent a repetition to that extent.
- It goes beyond the remit of insurance supervisors to require some Board members to be non-executive, let alone the Chair. The good practice and other references to executive and non-executive members mentioned in **ICPs 7.3.5** and **7.6.3** should therefore be deleted.
- It is not clear what the IAIS would expect as “*clear and objective independence criteria*” insurers are meant to establish for “*an adequate number of members of the Board (ie non-executive Board members)*” in **ICP 7.3.8** and whether this would not be more appropriate in the context of ICP 5, rather than ICP 7.
- Insurance Europe would suggest that the duties laid out in **ICP 7.6** and related Guidance on

remuneration policies is overly detailed and prescriptive.

- As a principle-based framework, it would suffice that the ICPs/ComFrame require that written policies be established with the aim of implementing remuneration systems that do not induce excessive or inappropriate risk taking or any other misconduct.
 - In particular, the means listed in ICP 7.6.7 by which conflicts of interest (supposedly, using this more general term interchangeably with “conflicts of interest emanating specifically from remuneration structures”) should be mitigated is inappropriate and the supervisory measures proposed would be overly intrusive without evidence that the integrity and objectivity of staff have in fact been compromised.
 - Any further detail and examples would – if necessary at all – suffice in an issues paper to assist supervisors in practice.
- Furthermore, there are overlaps with ICP 8 (eg in ICP 7.6.2).
 - Insurance Europe notes that the following sentence: “The supervisor should require a further audit by a different external auditor where necessary” seems to allow the supervisor for asking a further audit by a second external auditor on any issue. In most jurisdictions the supervisor itself is entitled to conduct audits on any subject, but when an external auditor intervenes, its scope is usually limited to specific areas (eg external accounting audit achieved by Statutory Auditors). Insurance Europe encourages IAIS to specify which type of audit is targeted here.
 - Where **ICP 7.9** covers communication to stakeholders / disclosure (as opposed to communications to the supervisor), there seems to be an overlap with ICP 20. Insurance Europe would ask that the IAIS aligns the disclosure regime within the framework.

On the group / IAIG-specific aspects of ICP 7, several provisions should explicitly refer to the principle of proportionality and / or materiality thresholds.

Q5 Comment on ComFrame Standard CF7.0.a

Insurance Europe appreciates the flexibility for the concrete form of policy documentation introduced in the amended wording. However, it is unclear from this Standard whether the purpose of the document anticipated by this Standard is to enable the supervisor and/or the IAIG to have the understanding of the IAIG’s structure.

Q6 Comment on ComFrame Guidance CF7.0.a.1

Insurance Europe suggests that the requirement to provide the information listed in the 3rd and 5th bullet points of this Guidance be subject to materiality considerations.

Further, Insurance Europe suggests removing the reference to common directors in the 5th bullet point, as the materiality of legal entities or business lines is likely to be determined on factors other than common directors.

Q7 Comment on ComFrame Standard CF7.0.b

Insurance Europe welcomes the new aligned wording of Standard CF7.0b with the ICP framework.

Q8 Comment on ComFrame Standard CF7.0.c

Insurance Europe welcomes the new aligned wording of Standard CF7.0c with the ICP framework. However, further clarification on the IAIS’ expectations of “clear reporting lines” would be appreciated.

Q9 Comment on ComFrame Standard CF7.1.a

Insurance Europe appreciates the streamlining of the ComFrame material related to ICP 7.1.

The reference to the independence of day-to-day management should be reconsidered. It is not clear what additional value this section brings to the Standard. The effective oversight of the IAIG's group-wide operations will, indeed, represent the core of the IAIG Board's management function. The scope and exact meaning of "day-to-day management" in this context is not clear and should therefore be deleted.

Q10 Comment on ComFrame Standard CF7.2.a

While Insurance Europe agrees that an IAIG's strategy will broadly account for the listed features in CF7.2a, the setting of concrete objectives and of the overall strategy should remain in the IAIG's commercial decision-making power. In establishing an IAIG's strategy, suitable members of an IAIG Board will act prudently and take into account the necessary requirements and interests. Insurance Europe would propose that the list in CF7.2a be moved into the subsequent Guidance and the Standard be amended to require the IAIG Board to act responsibly and prudently when setting and implementing the IAIG's corporate culture, objectives, and strategy. This would, in fact, reflect the approach taken for the respective provisions for non-IAIGs in 7.2 and 7.2.1.

Q11 Comment on ComFrame Guidance CF7.2.a.1

It is not obvious why these provisions should be IAIG-specific.

Q12 Comment on ComFrame Guidance CF7.2.a.2

This Guidance should indicate that information sharing between supervisors is subject to confidentiality requirements.

Q13 Comment on ComFrame Standard CF7.2.b

Insurance Europe suggests removing the requirement for annual provision of this explanation of strategy, so that supervisors can require this on a more proportionate basis (eg periodically), for example when there is a change in strategy.

It should be clarified in this Standard to whom the Head of the IAIG is required to provide this explanation of strategy. Alternatively, "provide" could be replaced with "develop".

Insurance Europe would further ask that the limitation to "key" legal entities be maintained in the Standard text.

Q14 Comment on ComFrame Guidance CF7.2.b.1

It is not clear how an IAIG's strategy would necessarily provide information about the IAIG's corporate governance framework.

Insurance Europe would urge the IAIS to introduce a materiality threshold ('material' or 'significant'), at least for bullet points 3, 5 and 6. Further, the IAIS should reconsider the necessity of including anticipated changes in market share (5th bullet point).

Q15 Comment on ComFrame Standard CF7.3.a

Insurance Europe asks that the IAIS recognises the principle of proportionality in the context of CF 7.3a, eg in the following way:

*“The group-wide supervisor requires that the collective competence of the IAIG Board includes an **appropriate** understanding of at least:”*

[...]

*“• the activities of the **significant** legal entities within the IAIG, including associated **significant** risks;”*

*“• the **main** supervisory regimes applicable to the IAIG;”*

Q16 Comment on ComFrame Guidance CF7.3a.1

Insurance Europe would suggest the text is amended as follows:

*“The IAIG Board should be capable of understanding and describing the purpose, structure, strategy, material operations, and material risks of the IAIG, including those of **material** legal entities in other financial sectors and unregulated entities that are part of the group.”*

Q17 Comment on ComFrame Standard CF7.3.b

Insurance Europe agrees with the relevance of conflict of interest policies for IAIGs but would ask the IAIS to recognise materiality in this context, eg with the following wording:

*“...conflicts of interest that may **materially** adversely affect the IAIG as a whole or any of its legal entities.”*

Q18 Comment on ComFrame Guidance CF7.3.b.1

As per the comment on CF 7.3.b, a materiality threshold should be included.

This Guidance should further recognise the benefits of cross-representation within decision-making bodies of the IAIG, and also the idea of group interest, acknowledging that directors of subsidiaries should be allowed to reasonably take the parent's interest into account without violating their fiduciary duties toward their subsidiary. Supervisory recognition of group interest, which provides enhanced flexibility for the management of groups especially on a cross-border basis, would provide directors with comfort when taking directions from the parent board.

Q19 Comment on ComFrame Guidance CF7.3.b.2

As per the comment on CF 7.3.b, a materiality threshold should be included. Insurance Europe further notes that not in all instances is it necessary to avoid conflicts of interest, but rather to deal with such conflicts, eg by way of mitigation.

Q20 Comment on ComFrame Standard CF7.9.a

Comment Box

Q21 Comment on ComFrame Guidance CF7.9.a.1

Comment Box

Q22 General Comment on ComFrame in ICP 8

The proposed revisions of ComFrame material related to ICP8 are generally welcome. However, the following concerns should be addressed:

- The granularity of the documentation of the group-wide risk management system and resources required should be proportionate to its purpose (ie to feed into the overall group risk management system and reveal risk concentrations and other relevant factors) (**CF8.1.b**).
- Risk management training should be required for relevant staff only (**CF8.1.c.1**).
- The frequency of the group-wide management system review should depend on the risk profile and changes of the structure/business strategy of the IAIG instead of an annual requirement (**CF8.1.d**).
- Changes of the wording of **CF8.2.b** have been proposed to ensure that primary assurance surrounding internal controls are the responsibility of the business, but also open to review by Internal Audit Functions.
- As it is the case for non-IAIGs, combinations of control functions for IAIGs should not be automatically excluded (**CF8.3.c**). It should also be clarified that it is not expected that a risk management function would be embedded in each legal entity. Further, the requirement of a separate risk management plan approved by the Board is overly prescriptive (**CF8.4.a**).
- **CF8.6.a** should be reviewed to take into account the fact that the role of the actuarial function is to focus on actuarial subjects. Similarly, the tasks of the internal audit are too prescriptive and exceed the usual scope of internal audit (eg fraud prevention and the assessment of the capacity of IT) (**CF8.7.a**).
- The principle of proportionality should be acknowledged in the provisions regarding outsourcing arrangements (**CF 8.8.a** & **CF8.8.b**). Specifically, IAIGs need additional simplifications regarding group internal outsourcing arrangements (**CF8.8.b.1**).

Reference is made to the comments provided in response to the IAIS' consultations of ICP 8 and related ComFrame material in June 2017 (<https://www.iaisweb.org/page/consultations/closed-consultations/2017/revision-of-icps-and-comframe/file/72362/members-and-stakeholders-comments-on-comframe-integrated-in-icps-5-7-8>), as well as in January 2018 (summarised in <https://www.iaisweb.org/page/consultations/closed-consultations/2018/revision-icps-8-15-and-16/file/76036/summary-of-main-consultation-comments-on-comframe-in-icps-8-15-16>).

General comments on ICP 8:

- **ICP 8.1.1** should focus on material risks.
- **ICP 8.1.2** continues to be overly prescriptive and unnecessary to achieve an increased convergence in risk management practices among insurers. The listed "risk appetite statement" would be an example – while identifying an insurer's risk appetite should form an integral part of an effective risk management system and would be reflected throughout a company's ERM system/ORSA/ALM/Investment policy, the format in which it is documented should not be mandated.

Furthermore, an element of materiality should be added throughout the text. Insurance Europe would for example suggest re-wording the following bullet point:

*“provide a documented process defining the Board approval required for **significant** deviations from the risk management strategy or the risk appetite and for settling any major interpretation issues that may arise;”*

- On **ICP 8.1.3** Insurance Europe continues to believe that listing conduct of business (separate from operational risk) as a risk to be at least covered by the risk management system has unwanted consequences for the supervision of some entities. Reference is made to the comments submitted in January this year.
- It appears superfluous to mention “foreseeable” and “emerging” risks separately in **ICP 8.1.5**.
- The requirement to notify supervisors of the reasons for dismissal of heads of control functions in **ICP 8.3.5** is overly intrusive and does not serve any obvious supervisory objective. Supervisors will receive sufficient information / will have the opportunity to request additional information during the appointment process of a new control function, in accordance with ICP 5. Similarly, the provisions in **ICPs 8.3.8** and **8.3.15** would be more appropriate in ICP 5.
- On conflicts of interest, Insurance Europe supports the deletion of “for resolution” at the end of **ICP 8.3.11**.
- **ICPs 8.4.2** (access and reporting to the Board by the risk management function) and **8.4.3** (Board access and reporting of the risk management function) seem to cover the same issues. The IAIS should consider combining these provisions (as, for example, for the internal audit function in ICPs 8.7.5 and 8.7.6).
- The authority to require an insurer to replace its Appointed Actuary in **ICP 8.6.12** should only be enforced in exceptional circumstances, after extensive dialogue with the insurer, and after all other measures available have been exhausted.
- Given the ICPs’ nature of minimum harmonisation, the last sentence in **ICP 8.8.4** on additional local requirements on outsourcing to be considered by supervisors is redundant and should be deleted.
- In **ICP 8.8.5**, the first bullet point constitutes a repetition of what is already required in ICP 8.8.3. The financial viability of a service provider (fourth bullet point) should further only have to be considered where appropriate/necessary (ie depending on the outsourced activities and relationship between the parties concerned).

On the group / IAIG-specific aspects of ICP 8, eg in ICP 8.0.6 and 8.0.7, the notion of “group interest” should be introduced and feature more prominently. Please refer to Insurance Europe’s comments submitted on the Draft Application Paper on Group Corporate Governance in May 2017 (<https://www.iaisweb.org/page/consultations/closed-consultations/2017/application-paper-on-group-corporate-governance/file/69941/resolution-of-comments-on-application-paper-on-group-corporate-governance>).

Insurance Europe appreciates the IAIS moving former CF 8.1.b.2 to ICP 8.1.9, however, the responsibility to undertake a risk assessment before entering into new business lines and products should:

- be limited to new business lines and materially new products, and
- may in some instances be better placed with local entity boards of operating subsidiaries who manufacture products, rather than the head of the group which may in fact be a parent/holding company.

Q23 Comment on ComFrame Standard CF8.1.a

Where CF text is adapted, these changes should also be mirrored in the respective ICP text, eg changing “at a minimum” to “at least” to avoid any misunderstanding in the implementation of the provisions.

Q24 Comment on ComFrame Guidance CF8.1.a.1

Comment Box

Q25 Comment on ComFrame Standard CF8.1.b

The introduction of a materiality element here is much appreciated.

Insurance Europe continues to advocate that the granularity of this documentation and resources required should be balanced according to the purpose it has (ie to feed into the overall group risk management system and reveal risk concentrations and other relevant factors).

Q26 Comment on ComFrame Standard CF8.1.c

Comment Box

Q27 Comment on ComFrame Guidance CF8.1.c.1

Insurance Europe would like to clarify that risk management training may not necessarily be relevant to all staff. Insurance Europe also suggests clarifying what is meant by the “issue of independence” mentioned in this Guidance.

The following slight re-wording is further proposed in relation to the prescribed content for processes and procedures:

"Processes and procedures for promoting an appropriate risk culture should include risk management training, address the segregation of duties and create appropriate incentives for relevant staff."

Q28 Comment on ComFrame Guidance CF8.1.c.2

Comment Box

Q29 Comment on ComFrame Standard CF8.1.d

The frequency of the review should not be annually but should depend on the risk profile and be reactive to material changes of the structure/business strategy of the IAIG. If the IAIS deems it necessary to establish a minimum frequency (in addition to the condition of material changes), it should be every 5 years instead of every year.

Q30 Comment on ComFrame Guidance CF8.1.d.1

This provision should be limited to material changes only. The changes proposed are welcome.

Q31 Comment on ComFrame Guidance CF8.1.d.2

Comment Box

Q32 Comment on ComFrame Standard CF8.2.a

Insurance Europe would suggest that bullet points two and three are not uniquely applicable to IAIGs but would just as well be important for non-IAIGs.

Q33 Comment on ComFrame Standard CF8.2.b

It is unclear why the requirement for periodic/annual testing and assessments is at Standard level for IAIG but can only be found at Guidance level for non-IAIGs (last bullet point in ICP 8.2.4).

Primary assurance surrounding internal controls should be the responsibility of the business, but also open to review by Internal Audit Functions, in line with their audit planning approach.

Therefore, Insurance Europe recommends that the wording of CF8.2.b should be adjusted as follows:

*“The group-wide supervisor requires the Head of the IAIG to ~~ensure~~ **review at least annually testing and assessments carried out by an independent external or internal party to assess the coherence, completeness and effectiveness of the IAIG’s risk management and internal controls system and report the results** ~~within the IAIG and its utility~~ to the IAIG Board and Senior Management”.*

Q34 Comment on ComFrame Standard CF8.3.a

The second bullet point in CF 8.3.a is redundant as it will naturally be in the IAIG’s own interest to avoid inefficiencies, also regarding its control functions. This does therefore not need to form the core of the supervisors’ attention.

Q35 Comment on ComFrame Standard CF8.3.b

Comment Box

Q36 Comment on ComFrame Standard CF8.3.c

Given that the IAIS acknowledges that structures of an IAIG’s governance framework may vary and no one solution should be given preference (ie centralised vs decentralised), it is unclear why the first bullet point in CF8.3.c would automatically exclude any combination of control functions for IAIGs. The IAIS furthermore explicitly acknowledges that certain control functions may be combined in non-IAIGs (ICP 8.3.10).

In relation to the second bullet point, internal audit functions are likely to have a mandate to review all aspects of an insurer’s internal controls in line with their audit plan, the frequency at which reviews of control functions take place will necessarily be risk-based. Insurers may also therefore have other measures to assess their effectiveness on a more frequent basis. In this respect the reference to internal audit and external parties in CF 8.3.c seems unnecessary, and therefore Insurance Europe would propose that the second bullet point under CF8.3.c is amended as follows:

*“are subject to periodic review **as to their effectiveness** ~~either by the group-wide internal audit function (for control functions other than internal audit) or an independent external party;~~”*

Q37 Comment on ComFrame Standard CF8.4.a

This Standard should clarify that it is not expected that there needs to be a risk management function embedded in each legal entity.

It is unclear what the IAIS expects the annual group-wide risk management plan (bullet point six) to entail. Insurance Europe would generally support the deletion of this bullet point. The IAIS should acknowledge that how insurers organise functional responsibilities may vary between firms and while functional planning is appropriate it should not be assumed that there should be a separate risk management plan, neither should it be an explicit requirements that the board should approve such a plan.

Q38 Comment on ComFrame Standard CF8.4.b

Comment Box

Q39 Comment on ComFrame Standard CF8.5.a

Insurance Europe welcomes the amendments removing obligations which are not typically those of the compliance function, and the removal of the requirement for the Board to approve the compliance plan.

However, the reference to legal obligations in the second and third bullet points should be removed as well. While the compliance function will be necessarily concerned with the regulatory obligations, broadening its scope to also include all legal obligations would detract from its core purpose in terms of compliance with financial services-related rules and guidance. Broader legal obligations are better addressed by an IAIG's legal function and should not therefore be allocated to the compliance function.

Q40 Comment on ComFrame Standard CF8.6.a

Insurance Europe still considers that Standard CF8.6a (and similarly ICP 8.6.4) as currently drafted does not adequately reflect the actuarial function's role in assessing the appropriateness of methodologies and assumptions used in the calculation of capital requirements and technical provisions. There furthermore appears to be an overlap with proposed Standard CF 16.7e (please refer to comments provided there). Insurance Europe highlights that the actuarial function should focus on actuarial issues (technical provisions, underwriting policy, reinsurance arrangements) and should not per se be responsible for too many other issues (overall solvency, risk-management, etc.).

Insurance Europe would recommend the following changes:

Amend the first and third bullet points to require a specific focus on the calculations, as follows:

~~'risk assessment and management policies~~ **the appropriateness of methodologies and underlying models** and controls relevant to govern the activities of the group-wide actuarial function or finance condition;' and

~~'the~~ **reliability of the calculation of the** IAIG's solvency position, ~~based on~~ **assessing the methodology and assumptions used in the** calculations of group-wide regulatory capital requirements and technical provisions;'

The fourth bullet point should be deleted entirely, as it is the role of the actuarial function to ensure the appropriateness of methodologies used in the calculation of the IAIG's financial condition. Stress and scenario testing will be a function of risk management rather than the actuarial function.

The final bullet point should be amended to recognise that responsibility for the ORSA is primarily a risk management function, although the actuarial function will contribute:

~~'actuarial related risk modelling in~~ **contribute to the effective implementation of** ~~the IAIG's Own Risk and Solvency Assessment (ORSA) and use of internal models.'~~

Q41 Comment on ComFrame Standard CF8.6.b

Comment Box

Q42 Comment on ComFrame Standard CF8.7.a

The tasks of the internal audit are too prescriptive, eg fraud prevention (second bullet point) is often assigned to the area of compliance and the assessment of the capacity of IT is not usually the task of the audit.

Insurance Europe would therefore suggest that the bullet points in this Standard be amended to better reflect the focus of internal audit on processes and controls. The tasks explicitly listed for the internal audit function should be limited to those relevant for the governance system, especially the assessment of the adequacy and effectiveness of the internal control system.

Q43 Comment on ComFrame Guidance CF8.7.a.1

This Guidance should also recognise that the internal audit function will take a risk-based approach in the performance of its activities

Q44 Comment on ComFrame Standard CF8.8.a

The use of the word "material" in these bullet points does not go far enough to incorporate the overarching concept of proportionality, and ensure a proportionate application of this requirement. A large IAIG may have a significant number of outsourcing arrangements that would fall under the term "outsourcing of any material group-wide activity or function". Insurance Europe suggests that this Standard be drafted explicitly allow for an appropriate risk-based application.

Q45 Comment on ComFrame Standard CF8.8.b

Insurance Europe would suggest that these provisions apply to non-IAIGs just as well. However, it is all the more important that the depth, and the formality, of the assessments and due diligence contemplated in the three bullet points be proportionate to the complexity and the importance of the particular outsourcing arrangement, the reputation and standing of the potential service provider and how familiar the insurer is with the potential service provider.

Q46 Comment on ComFrame Guidance CF8.8.b.1

IAIGs need additional simplifications regarding group internal outsourcing arrangements, in particular with respect to the minimum contents of service agreements, control rights, etc.

Q47 Comment on ComFrame Standard CF8.8.c

Q48 Comment on ComFrame Standard CF8.8.d

Comment Box

Consultation Tool on ComFrame in ICPs 9, 10 and 25

Q1 General Comment on ComFrame in ICP 9

Insurance Europe generally supports the ComFrame material related to ICP 9 and the proposed revisions. Insurance Europe highlights the following:

- information sharing between the group-wide and other relevant supervisors should be subject to confidentiality requirements.
- a two-year frequency for a macro-prudential stress test is sufficient.
- to ensure that a proportional approach is taken that focuses on understanding any dependencies between regulated and unregulated entities, Insurance Europe proposed some amendments to Guidance CF9.2.b.6.

Insurance Europe acknowledges there may be value in supervisors undertaking peer-group analysis. However, Guidance should deter supervisors from using inappropriate comparators when undertaking peer-group analysis. Unnecessary harmonisation of risk management should be avoided and peer-group analysis should not be an opportunity for supervisors to impose uniform risk assessments and business models.

Insurance Europe highlights that revisions to the text of ICP 9 are needed. Reference is made to the comments provided in response to the IAIS' consultations of ICP 9 from June 2017 (<https://www.iaisweb.org/page/consultations/closed-consultations/2017/revision-of-icps-and-comframe/file/69930/icp-9-resolution-of-public-consultation-comments-stakeholders>).

In particular with regard to guidance 9.6.5, Insurance Europe notes that such inspections may lead to high costs and confidentiality issues, and therefore Insurance Europe suggests removing this guidance ~~“9.6.5 The supervisor may use independent experts (see ICP 2 Supervisor) to conduct part of an on-site inspection, for instance when additional resources or specific expertise is needed.”~~

Q2 Comment on ComFrame Standard CF9.0.a

Insurance Europe supports the proposed revisions. However, clarification is requested as to what is meant by the term “relevant legislation and supervisory requirements”, as this is very broad. Insurance Europe suggests there should be an element of materiality or a risk-based measure embedded in this Standard, to better reflect the overarching concept of proportionality.

Q3 Comment on ComFrame Guidance CF9.0.a.1

Insurance Europe welcomes the introduction of this Guidance, as it deems it very important that the cooperation between the group supervisor and other involved supervisors takes place within the setting of a college of supervisors which ensures transparency and promotes convergence of supervisory practices. To that end, Insurance Europe suggests that the Guidance should require the supervisory review to be conducted within the supervisory college.

Q4 Comment on ComFrame Standard CF9.2.a

Insurance Europe highlights that an annual frequency for the risk assessment for all IAIG is not necessary. The determination of the frequency should be risk-based and hence set according to the individual risk profile.

Q5 Comment on ComFrame Guidance CF9.2.a.1

Comment Box

Q6 Comment on ComFrame Guidance CF9.2.a.2

Comment Box

Q7 Comment on ComFrame Guidance CF9.2.a.3

Comment Box

Q8 Comment on ComFrame Guidance CF9.2.a.4

Information sharing between the group-wide and other relevant supervisors should be subject to confidentiality requirements, and this Guidance should make this clear. Inputs should only be used for the proper purpose of supervision by the group-wide supervisor.

Q9 Comment on ComFrame Guidance CF9.2.a.5

Insurance Europe agrees there may be value in supervisors undertaking peer-group analysis. However, this Guidance should deter supervisors from using inappropriate comparators when undertaking peer-group analysis. Unnecessary harmonisation of risk management would be undesirable in an industry that depends on diversification, and peer-group analysis should not be an opportunity for supervisors to impose uniform risk assessments and business models.

It is also unclear, how a supervisor would identify who appropriate peers are, in order to undertake a peer-group analysis. This would seem to be particularly difficult given the IAIGs will operate in different jurisdictions, facing different risks. When identifying peer groups, the comparators must be accurate and relevant.

In addition, Insurance Europe notes that it is not clear what kind of non-public information will be made use of, and for what outcome.

Q10 Comment on ComFrame Guidance CF9.2.a.6

Please also see response to Q9 (Guidance CF9.2.a.5)

Q11 Comment on ComFrame Guidance CF9.2.a.7

Insurance Europe recommends amending the second sentence to say

*“Peer –group analysis ~~should~~ **must** be subject to confidentiality requirements”*

Q12 Comment on ComFrame Standard CF9.2.b

Insurance Europe supports the proposed revisions.

Q13 Comment on ComFrame Guidance CF9.2.b.1

Insurance Europe generally supports the proposed revisions. However, the IAIS should reconsider the appropriateness of including non-regulated and non-financial legal entities in the scope of the group-wide risk assessment. This may not be appropriate in all jurisdictions. Please also refer to comments made on CF9.2.b.6.

Insurance Europe notes that the third bullet point requires some context to indicate that it is material inter-linkages between regulated and non-regulated entities that the supervisors risk assessment should focus on. Insurance Europe proposes that the third bullet point is amended as follows:

- *'Material inter-linkages between regulated entities and non-regulated and non-financial entities within the IAIG'.*

In addition, the inclusion of “the potential impact that the IAIG’s failure would have” (final bullet point) duplicates the assessment undertaken in relation to resolution planning, and is out of place in the context of the going-concern group-wide risk assessment. Insurance Europe suggests this bullet point be deleted.

Q14 Comment on ComFrame Guidance CF9.2.b.2

Insurance Europe supports the proposed revisions.

Q15 Comment on ComFrame Guidance CF9.2.b.3

Insurance Europe supports the proposed revisions.

Q16 Comment on ComFrame Guidance CF9.2.b.4

Comment Box

Q17 Comment on ComFrame Guidance CF9.2.b.5

Comment Box

Q18 Comment on ComFrame Guidance CF9.2.b.6

To ensure that a proportional approach is taken that focuses on understanding any dependencies between regulated and unregulated entities, Insurance Europe proposes the first bullet point be amended to ensure a proportionate approach focusing on understanding such dependencies, and to remove the third bullet and to reword the 4th bullet as follows:

- *~~the strength of the group capital adequacy to support the insurance legal entities 'Non-regulated legal entities' contribution to the group capital adequacy could be assessed by calculation of a proxy capital requirement as if the entity were regulated or through deduction of the group's interest in the non-regulated legal entity; and~~*
- *~~where **significant** risk has been transferred from regulated to non-regulated legal entities within the IAIG, the group-wide supervisor in cooperation with supervisors of the regulated entities should look **to understand the dependencies of the regulated entities with the unregulated entities**, through to the overall quantum and quality of assets in the non-regulated entities. The risk assessment should address third party participations and minority interests.~~*

Q19 Comment on ComFrame Guidance CF9.2.b.7

Insurance Europe agrees. However, it would be too onerous for companies to be imposed macro-prudential stress test every year. A frequency of two years should be the maximum.

Furthermore, Insurance Europe notes that it is unclear which stress tests are being considered, this Guidance assumes that a group-wide stress test is required, which is not necessarily the case. Insurance Europe suggests amending this guidance as follows: “*group-wide stress tests that the IAIG performed, **if required***”.

Q20 Comment on ComFrame Guidance CF9.2.b.8

Comment Box

Q21 Comment on ComFrame Standard CF9.4.a

Insurance Europe believes that a group-wide supervisor should be able to ask for additional reporting, however, this should always be justified and within the provisions foreseen.

Q22 Comment on ComFrame Guidance CF9.4.a.1

Insurance Europe supports the new Guidance.

Q23 Comment on ComFrame Standard CF9.6.a

Insurance Europe recommends amending this Standard to include a caveat, eg “*The group-wide supervisor performs on-site inspections at the level of the Head of the IAIG, where necessary*” to encourage a more proportionate approach to supervision.

Q24 Comment on ComFrame Guidance CF9.6.a.1

Comment Box

Q25 Comment on ComFrame Guidance CF9.6.a.2

Comment Box

Q26 Comment on ComFrame Guidance CF9.6.a.3

Comment Box

Q27 Comment on ComFrame Standard CF9.6.b

The situations anticipated by this Standard, where the group-wide or other involved supervisors join the on-site inspections of an insurance legal entity, should be an exceptional situation. The local supervisor of the legal entity would normally have the appropriate knowledge and experience to inspect the legal entity effectively. The wording of this Standard should reflect this exceptional nature.

Q28 Comment on ComFrame Guidance CF9.6.b.1

Comment Box

Q29 Comment on ComFrame Standard CF9.7.a

Comment Box

Q30 General Comment on ComFrame in ICP 10

Insurance Europe generally supports the ComFrame material related to ICP 10 and the proposed

revisions.

Insurance Europe highlights that revisions to the text of ICP 10 are needed. Reference is made to the comments provided in response to the IAIS' consultations of ICP 9 from June 2017 (<https://www.iaisweb.org/page/consultations/closed-consultations/2017/revision-of-icps-and-comframe/file/69931/icp-10-resolution-of-public-consultation-comments-stakeholders>).

In particular, on ICP10.4.4, Insurance Europe notes that it is the responsibility of the insurer to decide how to address significant concerns from the supervisor. If the supervisor requires a third-party to review an output coming from the insurer instead of conducting the review by itself, this should not be paid by the insurer. Furthermore, Insurance Europe notes that such independent reviews could also lead to confidentiality issues.

Q31 Comment on ComFrame Standard CF10.0.a

Insurance Europe supports the proposed revisions.

Q32 Comment on ComFrame Guidance CF10.0.a.1

Insurance Europe supports the proposed revisions.

Q33 Comment on ComFrame Guidance CF10.0.a.2

Insurance Europe supports Guidance CF10.0.a.2; however, it should be clarified what "*indirect powers*" are.

Q34 Comment on ComFrame Guidance CF10.0.a.3

Insurance Europe supports the new Guidance.

Q205 Comment on ComFrame Standard CF10.0.b

Q36 Comment on ComFrame Guidance CF10.0.b.1

Insurance Europe supports the proposed revisions.

Q37 Comment on ComFrame Guidance CF10.0.b.2

Q38 Comment on ComFrame Guidance CF10.0.b.3

Insurance Europe supports the proposed revisions.

Q39 Comment on ComFrame Guidance CF10.0.b.4

Insurance Europe supports the proposed revisions.

Q40 Comment on ComFrame Guidance CF10.0.b.5

Q41 Comment on ComFrame Guidance CF10.0.b.6

Q42 Comment on ComFrame Standard CF10.2.a

Insurance Europe believes that the empowerment of the group-wide supervisor to require measures affecting legal entities directly to be taken, inappropriately interferes with the responsibilities of the supervisor of the legal entity. The clarification made in CF 10.2.a.2 should be moved up at Standard level to avoid such conflicts.

The terms “*likely [...] inconsistent with any relevant regulatory requirements*” lack legal certainty. Supervisors should only take action where objective grounds call for such and not based on “likely infringements”.

Q43 Comment on ComFrame Guidance CF10.2.a.1

Q44 Comment on ComFrame Guidance CF10.2.a.2

Please refer to comment made on CF10.2.a.

Q45 Comment on ComFrame Guidance CF10.2.a.3

Q46 Comment on ComFrame Standard CF10.5.a

Q47 Comment on ComFrame Standard CF10.5.b

Insurance Europe supports the proposed revisions.

Q48 Comment on ComFrame Standard CF10.6.a

Insurance Europe supports the proposed revisions.

Q49 Comment on ComFrame Guidance CF10.6.a.1

Insurance Europe emphasises that the following terms “*the imposition of fines and penalties (even if non-compliance is due to the actions of a legal entity within the IAIG)*” will not find a legal basis in several jurisdictions. Therefore, Insurance Europe believes this part should be deleted.

Q50 Comment on ComFrame Guidance CF10.6.a.2

Insurance Europe supports the proposed revisions.

Q51 Comment on ComFrame Guidance CF10.6.a.3

Insurance Europe supports the proposed revisions. However, the Guidance should clarify what the “indirect powers” are.

Q52 Comment on ComFrame Standard CF10.6.b

Insurance Europe supports the proposed revisions. However, Insurance Europe notes that in case of sanctioning, if deemed appropriate, coordination should take place.

Q53 Comment on ComFrame Guidance CF10.6.b.1

Insurance Europe notes that the numbering of CF10.6.b.1 is not correct, it is currently labelled as CF10.6.a.1.

Please refer to response to Q52 (Standard CF10.6.b)

Q54 General Comment on ComFrame in ICP 25

Insurance Europe generally supports the ComFrame material related to ICP 25 and the proposed revisions.

Insurance Europe highlights that revisions to the text of ICP 25 are needed. Reference is made to the comments provided in response to the IAIS' consultations of ICP 25 from June 2017 (<https://www.iaisweb.org/page/consultations/closed-consultations/2017/revision-of-icps-and-comframe/file/69871/icp-25-resolution-of-public-consultation-comments-from-stakeholders>).

Q55 Comment on ComFrame Guidance CF25.0.a.1

Insurance Europe supports the proposed revisions.

Q56 Comment on ComFrame Standard CF25.6.a

Comment Box

Q57 Comment on ComFrame Guidance CF25.6.a.1

Comment Box

Q58 Comment on ComFrame Guidance CF25.6.a.2

Insurance Europe supports the proposed revisions.

Q59 Comment on ComFrame Guidance CF25.6.a.3

Insurance Europe supports the proposed revisions.

Q60 Comment on ComFrame Guidance CF25.6.a.4

Insurance Europe supports the proposed revisions.

Q61 Comment on ComFrame Guidance CF25.6.a.5

Insurance Europe supports the proposed revisions.

Q62 Comment on ComFrame Standard CF25.6.b

Insurance Europe supports the proposed revisions.

Q63 Comment on ComFrame Standard CF25.6.c

Insurance Europe suggests to amend as follows: *“The members of the IAIG’s supervisory college discuss and assess a summary of the reference **capital standard** ICS prepared by the group-wide supervisor, as well as a summary of any additional reporting that has been reported to at the option of the group-wide supervisor.”*

Q64 Comment on ComFrame Guidance CF25.6.c.1

Comment Box

Q65 Comment on ComFrame Guidance CF25.6.c.2

Comment Box

Q66 Comment on ComFrame Standard CF25.7.a

Insurance Europe supports the proposed revisions.

Q67 Comment on ComFrame Guidance CF25.7.a.1

Insurance Europe supports the proposed revisions.

Q68 Comment on ComFrame Guidance CF25.7.a.2

Insurance Europe supports the proposed revisions.

Q69 Comment on ComFrame Guidance CF25.7.a.3

Insurance Europe welcomes the proposed revisions.

Q70 Comment on ComFrame Guidance CF25.7.a.4

Insurance Europe supports the proposed revisions.

Q71 Comment on ComFrame Standard CF25.7.b

Insurance Europe supports the proposed revisions.

Q72 Comment on ComFrame Guidance CF25.7.b.1

Insurance Europe supports the proposed revisions.

Q73 Comment on ComFrame Guidance CF25.7.b.2

Insurance Europe supports the proposed revisions.

Consultation Tool on ComFrame in ICP 12

Q1 General Comment on ComFrame in ICP 12

Insurance Europe highlights that revisions to the text of ICP 12 are needed. Reference is made to the comments provided in response to the IAIS' consultations of ICP 12 from June 2017 (<https://www.iaisweb.org/page/consultations/closed-consultations/2017/revision-of-icps-and-comframe/file/69926/icp-12-resolution-of-public-consultation-members-comments>).

In particular, ICP 12.6.1 should be amended: "*The insurance legal entity is in breach of a minimum capital requirement (MCR) defined by local in force regulations*". There is no regulatory reference for the MCR in ICP12 from IAIS (ICP 12.6.1, page 103). As the MCR is the main trigger for entry into resolution, it is absolutely necessary to mention the regulatory reference for this MCR. For European insurers subject to the Solvency II regulation, the MCR should be explicitly the one from Solvency II.

In addition, Insurance Europe would stress that to avoid unnecessary duplication and overlap host supervisors and/or resolution authorities should not require separate resolution plans where a group resolution plan exists that covers material entities within the group. Host supervisors and/or resolution authorities having their own plans is inconsistent with the desire for group planning and supervisory coordination and cooperation set out in CF 12.3a.2, and would introduce added cost and complexity. Insurance Europe suggests that this Guidance is amended to make it clear that host supervisors and/or resolution authorities should not develop separate plans where group plans exist.

Q2 Comment on ComFrame Guidance CF12.2.a.1

The objectives of the resolution of insurers should be clear. This is currently not the case in CF12.2a.1, which states that a jurisdiction may choose to rank resolution objectives (policyholder protection and financial stability) at its discretion. It is not clear what is intended by this.

On one reading, this suggests different IAIGs could have different resolution objectives in a single jurisdiction. In Insurance Europe's view, resolution objectives should not explicitly differ between insurers in a jurisdiction because the interests of various stakeholders in a resolution process should be protected in the same way. In practice, some objectives may be more relevant than others (depending on the circumstances of the IAIG).

On another reading, the wording in CF12.2a.1 could suggest that the same IAIG could have different resolution objectives over time, or that different jurisdictions could have different objectives for a single IAIG. Insurance Europe does not support these approaches either. The objectives of the resolution and the rationale for those objectives should be made clear to the IAIG.

Q3 Comment on ComFrame Standard CF12.2.b

CF 12.2.2b is unnecessary, as ICP 12.2.3 already states that "Resolution should seek to minimise reliance on public funding".

Q4 Comment on ComFrame Standard CF12.3.a

The rights and obligations of the CMG shall be carried out by the Group Supervisor.

Q5 Comment on ComFrame Guidance CF12.3.a.1

It is not clear how "the number of jurisdictions where the IAIG operates" relates to either resolution objective; other considerations seem significantly more important in the context of the policyholder protection objective (eg the current financial state of the institution, whether entry into resolution is likely, whether financial difficulty could happen suddenly, the extent to which the institution directly insures policyholders).

Insurance Europe agrees that taking into account the IAIG's risk management mechanisms and the expected costs, benefits and outcomes of the resolution planning requirement is the right approach.

Q6 Comment on ComFrame Guidance CF12.3.a.2

Insurance Europe agrees that the resolution plan, if deemed necessary, should be developed by the group-wide supervisor and/or resolution authority and welcomes the clarification that the IAIG should be involved in the process as relevant (Insurance Europe believes that the IAIG should usually be involved). This would ensure that the resolution plan is based on realistic assumptions and is manageable if applied. It is particularly important that the plan offer enough leeway to adequately react to the concrete crisis situation.

CF12.3.a.2 refers to the resolution strategy as a component of the resolution plan. However, Insurance Europe believes that the resolution strategy should be determined before creating the plan, as it is the basis for the resolution planning effort.

The IAIS should substantiate what is meant by "data requirements" in the third bullet point. Data requirements should be limited to data needed to execute the resolution plan, in respect of the proportionality principle.

Q7 Comment on ComFrame Guidance CF12.3.a.3

In general, Insurance Europe believes that the resolution strategy should guide the development of the resolution plan and the degree of coordination between supervisors. Choosing a "topco" approach for resolution clearly calls for a single resolution plan. In an "opco" approach, jurisdictions may have a greater influence on local entities but even then, the whole resolution planning effort should be coordinated. In all cases, host supervisors should first assess the existing group resolution plan before embarking on an isolated effort.

Resolution plans at entity level should remain an exception. Group-wide resolution plans could recognise existing economic interdependence and take into account the interest of all customers and creditors. Therefore, group-wide resolution plans should be prioritised.

Q8 Comment on ComFrame Guidance CF12.3.a.4

Comment Box

Q9 Comment on ComFrame Standard CF12.3.b

Resolvability assessments seem a sensible instrument to provide a degree of comfort about the validity of resolution plans. However, where resolvability assessments lead to requirements for the IAIG to take actions to improve resolvability, this is extreme in the insurance context. In most cases, the future benefits of a priori actions to do not outweigh the immediate costs posed to policyholders, in particular when such actions involve restructuring.

Therefore, Insurance Europe strongly supports a specific reference to the proportionality principle. The necessity, frequency and comprehensiveness of resolvability assessments should be carried out proportionally to the supervisor's assessment of the risks posed by an insurer.

Q10 Comment on ComFrame Guidance CF12.3.b.1

Comment Box

Q11 Comment on ComFrame Guidance CF12.3.b.2

A jurisdiction may have alternative/additional resolution objectives to those identified in this paragraph. Insurance Europe suggests that, instead of the current wording, this paragraph refers instead to the feasibility of resolution achieving the jurisdiction's resolution objectives, i.e. '*...to resolve the IAIG in a way that **achieves the resolution objectives**...*'

Q12 Comment on ComFrame Guidance CF12.3.b.3

In addition to the resolvability assessment being undertaken within the IAIG CMG, it would be appropriate for the outcome of that assessment to be shared with the IAIG. Therefore, we would propose to amend the final sentence of CF12.3.b.3 as follows:

'These assessments should also be subject to regular reviews within the IAIG CMG, and the outcome of those reviews should be shared with the IAIG'.

Q13 Comment on ComFrame Standard CF12.3.c

Comment Box

Q14 Comment on ComFrame Guidance CF12.3.c.1

Comment Box

Q15 Comment on ComFrame Guidance CF12.3.c.2

Insurance Europe welcomes the clarification in this Guidance that the IAIG may rely on its existing management information system.

Q16 Comment on ComFrame Guidance CF12.3c.3

It should be clarified that resolution plans are only applicable if deemed necessary by the group-wide supervisor. Insurance Europe suggests that this bullet point be amended as follows: 'where resolution planning is required by the group-wide supervisor and/or resolution authority, demonstrate, as part of the resolution planning process, that it is able to produce.

Q17 Comment on ComFrame Standard CF12.7.a

CF 12.7.a repeats many of the resolution powers in ICP 12.7.4. This is redundant.

The use of stay and suspension powers as part of the resolution toolkit can be helpful to preserve value and prevent the need to use more drastic measures. However, a cost-benefit analysis is required before considering the use of these powers, as they would likely have a commercial impact and/or increase the cost of impacted transactions and would also introduce a potential source of contagion.

Where resolvability assessments lead to requirements for the IAIG to take prospective actions to improve resolvability, this is extreme in the insurance context. In most cases, the future benefits of a priori actions to do not outweigh the immediate costs posed to policyholders, in particular when such actions involve restructuring.

Insurance Europe supports the provision that "powers are used only if suitable and necessary to meet the resolution objectives", because the proportionality of the measures taken in resolution is essential. The analysis of what is to be required should take into account the extended period of time available to resolve an insurance entity – a key difference with banking where very little time is available for resolution.

The powers of the supervisor must also not be in conflict with local law. In particular, the mentioned supervisory actions would require an explicit and transparent legal basis in local law, subject to the principle of proportionality, and shall not conflict with other binding laws and procedures (e.g. in some jurisdictions, the insolvency administrator and not the supervisor is by law responsible for the resolution of an IAIG).

In relation to the content of CF 12.7.a, Insurance Europe has the following comments:

- The reference to 'at least' in the initial sentence in CF12.7.a implies a minimum set of requirements and is inconsistent with the earlier statement that 'authorities may exercise' which implies a degree of discretion. Therefore, we consider the reference to 'at least' should be deleted from CF12.7.a

to ensure discretion at a jurisdictional level over resolution powers.

- The second bullet under CF12.7.a should acknowledge that contract law may limit the ability to recover monies, therefore the focus should be on encouraging claw-back provisions to be included in relevant employment contracts. The claw-back of variable remuneration components (other than malus components) shall always refer to individual misconduct only.
- The seventh to twelfth bullet points under CF12.7.a should be set out as sub bullets under the fifth bullet point as they are all actions that may be taken once control of the IAIG has been assumed.
- For the eighteenth bullet referring to establishing a bridge institution, the IAIS should elaborate on how this may be useful in an insurance context, e.g. under what circumstances would the withdrawal of permissions to write new business and/or portfolio transfers prove inadequate?

Q18 Comment on ComFrame Guidance CF12.7.a.1

Insurance Europe welcomes the fact that supervisory measures to improve resolvability are only to be exercised in a proportionate manner and agrees that, before powers to require an IAIG to take actions to improve its resolvability are used, the IAIG should be given the opportunity to propose its own remedies. Insurance Europe also considers that there should be some safeguards surrounding the use of powers to improve resolvability so that an IAIG has a right to appeal and challenge such actions if it disagrees with their appropriateness.

Q19 Comment on ComFrame Guidance CF12.7.a.2

Comment Box

Q20 Comment on ComFrame Guidance CF12.7.a.3

Comment Box

Q21 Comment on ComFrame Guidance CF12.12.a.1

Insurance Europe would welcome a requirement of cooperation and coordination among involved authorities, including those in charge of other sectors of the financial system. Any resolution requirements for branches should be within the supervisory remit of the home supervisory authority (ie of the legal entity to which the branch belongs), in cooperation and coordination with the host authority. No additional resolution responsibilities of the host authorities of the branch should be established; otherwise, this would create an additional layer of uncertainty and burden regarding cooperation and coordination between home and host supervisors.

Q22 Comment on ComFrame Guidance CF12.12.a.2

Comment Box

Consultation Tool on ComFrame in ICPs 15 and 16

Q1 General Comment on ComFrame in ICP 15

Insurance Europe generally supports the ComFrame material related to ICP15 and the proposed revisions, with the recommendation to remove provisions under 15.2.b regarding transfer of assets/capital cross-border, and incorporate these under ICP 17 on capital adequacy.

Insurance Europe further highlights that revisions to the text of ICP15 are needed. Reference is made to previous comments on ICP, submitted in January 2018 (also available here: <https://www.insuranceeurope.eu/sites/default/files/attachments/Response%20to%20AIS%20consultation%20on%20revisions%20to%20ICP%2015%20and%2016.pdf>).

Q2 Comment on ComFrame Standard CF15.2.a

Insurance Europe supports the proposed revisions.

Q3 Comment on ComFrame Guidance CF15.2.a.1

Insurance Europe supports the proposed revisions. Insurance Europe recommends to take into account operational considerations: "The IAIG should conduct due diligence to check the appropriateness of credit rating assessments wherever possible in practice, using various sources of information".

Q4 Comment on ComFrame Guidance CF15.2.a.2

Insurance Europe supports the proposed revisions.

Q5 Comment on ComFrame Standard CF15.2.b

While Insurance Europe does not have specific concerns with the content of this provision, it does believe that any specifications regarding transferability of assets/capital should not be part of this ICP, but rather part of ICP 17 on capital adequacy.

Q6 Comment on ComFrame Guidance CF15.2.b.1

While Insurance Europe does not have specific concerns with the content of this provision, it does believe that any specifications regarding transferability of assets/capital should not be part of this ICP, but rather part of ICP 17 on capital adequacy.

Q7 General Comment on ComFrame in ICP 16

Insurance Europe welcomes the clarifications made to the ComFrame material related to ICP16 and the proposed revisions. However, some requirements are overly prescriptive, specifically:

- An independent review of the ERM framework every three years imposes another constraint on IAIGs in an area which is already well regulated. As such, the costs outweigh the benefits (CF16.2.c).
- IAIGs should not be required to publicly disclose their risk appetite (CF16.4.a).
- ICPs should focus on setting proper risk management measures to address concentration risk,

and not on setting limits to concentration itself (**CF1.6.c**).

- The requirement of some group-wide policies such as claims management policy or actuarial policy are overly prescriptive and overlaps with some other requirements already included (eg in the ORSA). Further, it is not the role of the actuarial function to work on non-insurance legal entities and non-regulated legal entities, as well as to assess the financial situation of the IAIG (**CF16.7.b**, **CF16.7.d**, **CF16.7.d.1**, **CF 16.7.e**, **CF16.7.e.1**).
- It should be at the discretion of the IAIG to assess the appropriate approach (ie quantitative and/or qualitative) to perform each element of the ORSA (**CF16.10.a**).
- A requirement within ComFrame for pre-emptive recovery planning is too prescriptive and undermines the role and responsibility of the general management of an IAIG. A proportional approach should be taken when considering whether the set-up of recovery plans is actually needed in all cases (**CF16.3.a** & **CF16.13.a.1**). Further, meeting the chosen criteria should not trigger the implementation of the recovery plan but rather require a specific and dedicated governance body within the IAIG to assess whether it is appropriate to enter into recovery (**CF16.13.a.2**).
- When a recovery plan is needed for an IAIG, a group recovery plan should be sufficient and should satisfy requests for setting up national plans for subsidiaries (**CF16.13.a.8**).

General comments on ICP 16:

- Insurance Europe highlights that revisions to ICP16 are needed. Reference is made to previous comments on ICP 16, submitted in January 2018 (also available here: <https://www.insuranceurope.eu/sites/default/files/attachments/Response%20to%20IAIS%20consultation%20on%20revisions%20to%20ICP%2015%20and%2016.pdf>).
- A large part of the guidance in ICP 16 is too granular (ie **16.5 ALM**, **16.6 investment policy**, **16.7 underwriting policy**, **16.8-16.12 ORSA**) and prevents the proportional implementation of an adequate risk management system. The numerous policies required and their content are overly prescriptive and should be listed as best practices and not as compulsory requirements. In fact, the principle-based approach of the framework is endangered by sections of this ICP. Many requirements may be adequate for complex insurers with long-term business and complex asset strategy but not for small or medium-sized insurers without long-term business and with a simple asset structure.
 - **ICPs 16.5.4** and **16.5.5** on ring-fencing of assets is overly prescriptive and not suitable for all jurisdictions.
 - The list of examples for “inherently risky financial instruments” in **ICP 16.6.2**, for example, does not provide any valuable guidance for supervisors / (re)insurers and will become out of date (despite not being exhaustive). The inclusion of derivatives in this list should be clarified to extend only to derivatives that are uncollateralised and have potential for counterparty risk (of which explicit consideration in the investment risk policy is indeed required in 16.6.3). In most cases, insurers use derivatives for hedging purposes and this is part of the ALM of insurers intended to mitigate risks rather than amplify them.
 - **ICP 16.6.9**, suggesting that the use of some types of derivatives should per se be restricted, is certainly too prescriptive and should be deleted.
 - **ICP 16.10.1** explicitly links the ORSA’s objective/scope with the insurer’s ability to meet its obligations to policyholders. This would exclude insurers focussing on certain business activities and, for example, reinsurers.
- As several references are made to regulatory capital requirements throughout ICP 16 (most notably in **ICP 16.11** and related Guidance), Insurance Europe would like to stress that for the purpose of regulatory capital assessment, the ERM framework should not create another layer of solvency capital requirements. A deviation between the ERM and the calculation of the regulatory capital must not lead to an automatic increase of capital. The supervisory authorities have a range

of other supervisory tools if they deem it necessary to react.

- Intra-group transactions, and other factors groups and IAIGs are required to assess and manage accordingly (such as fungibility of capital and transferability of assets, etc), cross over areas covered by several ICPs (risk management and investment aspects, regulatory and economic capital setting and management, etc). These may be more suitable in ICP 17 and should be addressed in the further development of the ICS.
- While Insurance Europe broadly agrees with the provisions on **internal models** in ICP 16, it would be beneficial to clarify the term and distinguish it from internal models used to calculate regulatory capital (as per the IAIS Glossary and in the ICS context).
- It appears that numerous repetitions were introduced in ICP 16 due to moving the provisions on recovery planning (ICP 16.13) into this ICP. Some ORSA-related provisions on re-capitalisation (ICPs 16.11.4-16.11.6) and continuity analysis for example can also be found in the context of recovery planning. The IAIS should clarify its expectations on the compliance with these parallel requirements.
- The last sentence in **ICP 16.0.6** on self-imposed limits should be deleted, as it is overly prescriptive without adding significant guidance to supervisors.
- The following sentence in **ICP 16.1.2** is redundant and should be deleted, as the underlying requirements are covered in ICP 8 and repeated later in ICP 16. The obligation to use and improve risk management policies etc furthermore goes beyond the scope of ICP 16.1 (risk identification in the ERM framework):

“The insurer should use and improve risk management policies, techniques, and practices and change its organisational structure to make these improvements where necessary.”

- While Insurance Europe would not necessarily disagree with its content, the first sentence in **ICP 16.2.6** seems inappropriate at ICP level. General observations on internal models and their supervision would be more appropriate in an application paper.
- On **ICP 16.3.5**, Insurance Europe continues to believe that insurers should not be obliged to perform back-testing. Back-testing should be optional where - depending on the respective model used – it is appropriate for validation purposes. This and the general relationship between this guidance and Standard ICP 16.3 should be clarified.
- As per comments provided on ICP 8, a specific “risk appetite statement” (**ICP 16.4**) is not necessary. While identifying an insurer’s risk appetite should form an integral part of an effective risk management system and would be reflected throughout a company’s ERM system/ORSA/ALM/Investment policy, the format in which it is documented should not be mandated.
- Large parts of Guidance related to **ICP 16.14** on the role of supervision in ERM for solvency purposes seems unsuitable and goes beyond supervision of ERM systems. **ICPs 16.14.3** and **16.14.14** would certainly be more appropriate in an application paper, considering content and style.

On the group / IAIG-specific aspects of ICP 16, **ICP 16.6.6** introduces guidance applicable to “*international insurers*” in the context of investment strategies. The IAIS should clarify whether this refers to IAIGs (or another category of insurers) and why this Guidance is included in the ICP (and not in the ComFrame provisions)

The Guidance on group perspectives regarding the economic and regulatory capital in the ORSA (ICPs **16.11.7** and, in particular the list of key group-wide factors in **16.11.8**, are overly prescriptive and should be considered in the review of ICP 17 and the ICS.

Q8 Comment on ComFrame Standard CF16.1.a

Comment Box

Q9 Comment on ComFrame Standard CF16.1.b

The ERM framework should cover at least several enumerated risks. It is unclear what is meant by “group risk”.

Q10 Comment on ComFrame Guidance CF16.1.b.1

Insurance Europe appreciates this clarification.

Q11 Comment on ComFrame Standard CF16.1.c

Comment Box

Q13 Comment on ComFrame Guidance CF16.1.c.2

Comment Box

Q14 Comment on ComFrame Guidance CF16.1.c.3

Comment Box

Q15 Comment on ComFrame Guidance CF16.1.c.4

Comment Box

Q16 Comment on ComFrame Standard CF16.2.a

Requiring an economic capital model to be used by IAIGs is not appropriate. First, it is possible to manage risk effectively through tools other than economic capital models. Second, some organisations may have strong incentives to manage risk and capital through their applicable regulatory framework. In that circumstance, a distinct economic capital model has little practical value.

Q17 Comment on ComFrame Guidance CF16.2.a.1

Comment Box

Q18 Comment on ComFrame Guidance CF16.2.a.2

Comment Box

Q19 Comment on ComFrame Guidance CF16.2.a.3

Comment Box

Q20 Comment on ComFrame Standard CF16.2.b

Reverse stress testing is only relevant for the purpose of internal model validations and is therefore irrelevant in this context.

Q21 Comment on ComFrame Guidance CF16.2.b.1

Comment Box

Q22 Comment on ComFrame Standard CF16.2.c

ICP 8.4.4 provides that the risk management function's activities include "conduct regular self-assessments".

Furthermore, CF8.7.a already requires that the internal audit function provides "independent assessment and assurance regarding the design and operational effectiveness of the group-wide risk management and internal control systems, both individually and overall". This will implicitly include the ERM framework. The frequency of such reviews will be determined by the internal audit function on a risk based approach.

An independent review of the ERM framework every three years is overly onerous and imposes another constraint on IAIGs in an area which is already well regulated – as such, the costs outweigh the benefits.

Q23 Comment on ComFrame Guidance CF16.2.c.1

In line with the previous comment, Insurance Europe considers such an independent review should not be required.

Q24 Comment on ComFrame Guidance CF16.2.c.2

Comment Box

Q25 Comment on ComFrame Standard CF16.4.a

Insurance Europe is still not convinced that this Standard is necessary in the context of ICP 16.4. and questions what the supervisory objective of requiring IAIGs to communicate their risk appetite externally would be. Standard CF16.4.a as well as Guidance CF16.4.a.1 should be deleted.

Q26 Comment on ComFrame Guidance CF16.4.a.1

Comment Box

Q27 Comment on ComFrame Standard CF16.6.a

Comment Box

Q28 Comment on ComFrame Guidance CF16.6.a.1

Insurance Europe supports the explicit reference to jurisdictional requirements.

Q29 Comment on ComFrame Standard CF16.6.b

Comment Box

Q30 Comment on ComFrame Guidance CF16.6.b.1

Comment Box

Q31 Comment on ComFrame Standard CF16.6.c

Insurance Europe proposes the redrafting of the provisions.

While it appreciates that diversification and avoidance of concentration are appropriate concepts that should be part of good risk management, Insurance Europe notes that, in some regimes, such concerns are dealt with by defining capital requirements to cover for such risks (and implicitly act as disincentives) as opposed to setting limits on types of assets/counterparts/etc.

Insurance Europe proposes the following redrafting:

“The group-wide supervisor requires the Head of the IAIG to set limits where appropriate, or consider other requirements, in the group-wide investment policy, to ensure effective risk management, including with respect to diversification and asset concentration ~~so that assets are properly diversified and asset concentration risk is mitigated.~~”

Q32 Comment on ComFrame Guidance CF16.6.c.1

See comment on ComFrame Standard CF16.6.c.

Insurance Europe suggests the following redrafting:

“The IAIG should ~~avoid excessive~~ include, in its investment policy, references to either internal or regulatory requirements that deal with concentrations risk in any particular:

- type of asset;*
- issuer/counterparty or related entities of an issuer/ counterparty;*
- financial market;*
- industry; or*
- geographic area.”*

Q33 Comment on ComFrame Standard CF16.6.d

Insurance Europe suggests that this standard is reconsidered to ensure consistency with the other standards relating to investments. Specifically, Insurance Europe believes that the same objectives of security and risk management should apply to all of an insurer’ assets, independent of whether the asset holdings are related to entities in the group or not.

Insurance Europe proposes that 1) this standard is removed and 2) reference to intra-group investments is introduced in the previous standard.

With respect to issues such as capital resources, reputational risk, valuation uncertainty – such issues should be covered in relevant ICPs/ComFrame material that deal with these issues (eg ICP 17 on capital resources, ICP 14 on valuation, etc).

Q34 Comment on ComFrame Guidance CF16.6.d.1

This guidance should be removed, see comment above.

Q35 Comment on ComFrame Standard CF16.6.e

No comments.

Q37 Comment on ComFrame Standard CF16.7.a

Comment Box

Q38 Comment on ComFrame Standard CF16.7.b

While Insurance Europe agrees that having a 'group-wide claims management policy' could be useful for an IAIG, it believes that it should be at the discretion of the group to decide whether it establishes such a group-wide claims management policy, and what the content of such a policy would be.

Insurance Europe would further suggest that this Standard on claims management goes beyond covering enterprise risk management for solvency purposes. Claims management generally is more of a governance topic than purely relating to risk management (or IAIGs for that matter). Insurance Europe would suggest that the Standard may be better placed in ICP 8 or elsewhere.

Q39 Comment on ComFrame Guidance CF16.7.b.1

Comment Box

Q40 Comment on ComFrame Guidance CF16.7.b.2

Comment Box

Q41 Comment on ComFrame Guidance CF16.7.b.3

Comment Box

Q42 Comment on ComFrame Standard CF16.7.c

Comment Box

Q43 Comment on ComFrame Standard CF16.7.d

Insurance Europe believes a specific "group-wide actuarial policy" is not necessary, as an appropriate actuarial practice should form an integral part of an effective risk management system and would be reflected throughout a company's ERM system/ORSA/ALM/Investment policy, and the format in which it is documented should not be mandated.

It should be sufficient to have the requirement elsewhere (which the IAIS does) for independent validation of the internal model and for senior reporting of outcomes of that.

Q44 Comment on ComFrame Guidance CF16.7.d.1

Please refer to the response to ComFrame Standard CF 16.7d. Furthermore, the actuarial policy should be limited to actuarial processes and should not be elaborated towards other process such as accounting. Of course, interaction among the various professions and functions within the insurer should be stimulated.

Furthermore, Insurance Europe would suggest that the 4th bullet point is not necessary. Assumption-setting is inherently a local matter, as expertise is found at the local level. The merits of a group-level

framework and process are not entirely clear.

Q45 Comment on ComFrame Guidance CF16.7.d.2

Comment Box

Q46 Comment on ComFrame Guidance CF16.7.d.3

Comment Box

Q47 Comment on ComFrame Guidance CF16.7.d.4

Insurance Europe recommend deleting this section, as the content is dispensable.

Q48 Comment on ComFrame Guidance CF16.7.e

Insurance Europe generally supports the yearly issuance of a report by the group-wide actuarial function. However, there continues to be a clear overlap with Standard CF 8.6a by which the IAIG actuarial function is required to provide an overview of its activities, including information on the IAIG's solvency positions and risk modelling in the IAIG's ORSA. In fact, the prospective analysis of the IAIG financial situation is already included in the ORSA, so it seems repetitive to also require a similar analysis in the actuarial function opinion. It should be clarified how these two requirements interact and overlaps and inefficiencies should be avoided.

There is a clear overlap with the proposed annual group-wide actuarial opinion and information that is already covered by the IAIG's ORSA. Further clarification is needed to avoid duplication. Additionally, the requirement to address pricing adequacy down to the legal entity level is onerous and pricing adequacy at the group level should be sufficient.

The bullet points listing the minimum content of these reports go beyond the responsibilities generally expected of the actuarial function. Notably, the actuary's role is not to work on non-insurance legal entities and non-regulated legal entities, as well as to assess the financial situation of the IAIG. Insurance Europe would propose that the IAIS reconsiders bullet points 1 and 4.

Q49 Comment on ComFrame Guidance CF16.7.e.1

Not all regulatory frameworks assign claims and investment management to the actuarial function and Insurance Europe believes that actuarial expertise may not be critical to cover these areas. There should be sufficient leeway in the IAIS Guidance to allow the IAIG to assign these core responsibilities among its key functions freely.

Q50 Comment on ComFrame Guidance CF16.7.e.2

Comment Box

Q51 Comment on ComFrame Standard CF16.10.a

Insurance Europe believes it should be at the discretion of the IAIG to assess the appropriate approach (ie quantitative and/or qualitative) to perform each element of the ORSA.

It is not clear what content would be expected for the fungibility of capital and the transferability of assets within the group. Insurance Europe would appreciate if this could be clarified.

Q52 Comment on ComFrame Guidance CF16.10.a.1

Comment Box

Q53 Comment on ComFrame Standard CF16.13.a

Insurance Europe continues to believe that a requirement within ComFrame for pre-emptive recovery planning is too prescriptive. It undermines the role and responsibility of the general management of an IAIG, which should remain free to decide on the appropriateness and circumstances of certain actions as long as there is no breach of any legal / regulatory threshold.

Recovery planning as a corrective measure should:

- Be required on a case-by-case basis, where there has been a breach of solvency requirements.
- Be tailor-made to address the particular situation.
- Be appropriate in the context of the objectives of the supervisory framework.

A recovery plan cannot take into account all circumstances and eventualities, it can only address possible causes of failure and the options for recovery in that circumstance, For example, where the objective of the recovery planning requirement is policyholder protection, it should be clear how the recovery planning requirement increases policyholder protection.

Q54 Comment on ComFrame Guidance CF16.13.a.1

This introduces a series of factors which would have to be taken into account by the supervisor when setting recovery plan requirements. Insurance Europe believes that the proportionality principle should also be applied when considering whether the set-up of recovery plans is actually needed in all cases (in fact, Insurance Europe welcomes the introduction of proportionality considerations in ICP 16.13.1 and believes these should be extended to ComFrame as well). This would ensure that certain firms do not devote unnecessary resources developing such plans when the relevance of doing so is rather limited and could be counter-productive (where it acts as a distraction for more effective preventative measures). There should be a possibility for national supervisory authorities to exclude insurers that are less complex from the scope of this requirement.

Q55 Comment on ComFrame Guidance CF16.13.a.2

Insurance Europe agrees, but only if the proportionality principle is respected. It should be noted that the exact nature and timing of recovery action will be a matter requiring management discretion depending on the circumstances. Pre-defined triggers should not impede this.

Therefore, meeting the chosen criteria should not trigger the implementation of the recovery plan, which implies the implementation of recovery options, but it should rather trigger a specific and dedicated governance body within the IAIG to assess whether or not it is appropriate, given the circumstances, to enter into recovery.

Q56 Comment on ComFrame Guidance CF16.13.a.3

Insurance Europe agrees.

Q57 Comment on ComFrame Guidance CF16.13.a.4

Comment Box

Q58 Comment on ComFrame Guidance CF16.13.a.5

Comment Box

Q59 Comment on ComFrame Guidance CF16.13.a.6

Comment Box

Q60 Comment on ComFrame Guidance CF16.13.a.7

- In the first bullet point, the inclusion of a description of the 'main risks' within the plan is unnecessary and should be deleted. The recovery plan should focus on actions that may be taken to recover from an event when it occurs, not on what risks may give rise to that event, which will be the subject of risk management more generally.
- For the second bullet point the description of functions and/or services should be deleted as this will be a relevant consideration for resolution rather than recovery planning.
- The fourth and fifth bullet points are similar in nature and should be combined.
- For the final bullet point, this should be amended to refer to 'Communication framework with stakeholders', as strategies for communication will necessarily depend on the circumstances of specific events.

Q61 Comment on ComFrame Guidance CF16.13.a.8

Insurance Europe would suggest the following principles that should be followed when drafting a recovery plan:

- In general, if the probability of a company to enter in regulatory recovery is low, an additional pre-emptive recovery plan is less or not necessary.
- A group recovery plan should be sufficient and should automatically satisfy requests for setting up national plans for subsidiaries, as recovery measures concern the whole group. A myriad of local recovery plans would unduly increase the regulatory burden without bringing added value.
- A group recovery plan should be deemed sufficient, as increased cooperation and coordination between relevant authorities will have ensured that such plan is appropriate.
- The adequacy of recovery options should be assessed against, and commensurate to, the stresses applied. The modelled stresses should be restricted to a few meaningful ones and an idiosyncratic one, to test the adequacy of recovery options. At the same time, it must be recognised that testing cannot cover all circumstances and eventualities.
- Data privacy must be secured when sharing the recovery plan among relevant supervisors and the confidentiality of the recovery plan must be ensured.
- The plan should include the identification of possible recovery options, such as actions to strengthen the capital situation.

Q62 Comment on ComFrame Guidance CF16.13.a.9

Comment Box

Q63 Comment on ComFrame Guidance CF16.13.a.10

Comment Box

Q64 Comment on ComFrame Guidance CF16.13.a.11

Comment Box

Q65 Comment on ComFrame Standard CF16.13.b

Insurance Europe would welcome more clarity on how proportionality would apply in the requirement for

the maintenance of a Management Information System.

Q66 Comment on ComFrame Guidance CF16.13.b.1

Comment Box

Q67 Comment on ComFrame Guidance CF16.13.b.2

Comment Box

Consultation Tool on ComFrame in ICP 23

Q1 General Comment on ComFrame in ICP 23

Insurance Europe appreciates that the IAIS took the effort to map out how Elements 1 and 2 of Module 1 of the 2014 draft ComFrame are reflected in the draft ComFrame provisions in ICP 23. Most of the additional guidance added is appreciated, subject to the comments made below. A particularly concerning element of the new guidance is represented by the explicit reference and judgements made by the IAIS with respect to the European Union. This guidance should be deleted and, instead, the IAIS should consult on a definition of “jurisdiction” that gives supervisors the relevant and necessary information to assess potential IAIGs against the proposed criteria.

On the general structure of ICP 23 including the ComFrame material, Insurance Europe notes the following potential inconsistencies:

- The provisions around the identification of the head of the group / Head of the IAIG can be found at different levels of the framework, ie CF Standard level for IAIGs and only Guidance level for other groups. Furthermore, references to these provisions should be made where ICPs / ComFrame provisions apply to the Head/head.
- Provisions on obtaining information are detailed for IAIGs only (CF 23.2.a and guidance) although similar considerations would apply for non-IAIGs. It would further be worth considering whether the content of these ComFrame provisions would not be more suitable under ICPs 3 (Information Exchange and Confidentiality Requirements), 9 (Reporting) and/or 25 (Supervisory Cooperation and Coordination).
- Similarly, the last sentence in ICP 23.0.3 seems to be obsolete and should be deleted. Alternatively, references to the above-mentioned related ICPs should be made.

Q2 Comment on ComFrame Standard CF23.0.a

Comment Box

Q3 Comment on ComFrame Guidance CF23.0.a.1

Comment Box

Q4 Comment on ComFrame Guidance CF23.0.a.2

Comment Box

Q5 Comment on ComFrame Guidance CF23.0.a.3

Insurance Europe appreciates the clarification added on “gross written premiums” and alternative similar volume measures.

Q6 Comment on ComFrame Guidance CF23.0.a.4

Comment Box

Q7 Comment on ComFrame Guidance CF23.0.a.5

Insurance Europe does not support this guidance and asks that this is deleted. It further asks the IAIS to increase the objectivity of the assessment by providing a definition of “jurisdiction”, on the basis of which the relevant criterion could be applied.

Specifically, it believes that the added Guidance on “jurisdictions” pre-empts implementation and application of the ComFrame provisions in a consistent and comparable manner across IAIS member jurisdictions. Detailing the provisions as in the new Guidance CF23.0.a.5 is inappropriate and goes beyond the IAIS’ remit. The responsibility of the IAIS is to establish the framework and describe/define “jurisdiction” / “internationally active” in an objective manner, for IAIS members to interpret and comply with. The IAIS should then have a role in ensuring that implementation is being done consistently across its members.

Furthermore, international insurance standards need to be designed in a way to not create competitive disadvantages between markets. Therefore, it is not understandable, nor justified, that the IAIS explicitly takes such a detrimentally different approach towards the US and the European Union, without any justification provided. Insurance Europe therefore asks that this Guidance be deleted.

Q8 Comment on ComFrame Guidance CF23.0.a.6

“supervisor most demonstrating the characteristics of a group-wide supervisor” appears to indicate lack of legal certainty.

Q9 Comment on ComFrame Guidance CF23.0.a.7

Comment Box

Q10 Comment on ComFrame Guidance CF23.0.a.8

Comment Box

Q11 Comment on ComFrame Standard CF23.0.b

Comment Box

Q12 Comment on ComFrame Guidance CF23.0.b.1

Comment Box

Q13 Comment on ComFrame Guidance CF23.0.b.2

Insurance Europe believes that the extension of the list of examples of situations where supervisors may determine the status of an IAIG without the group fulfilling the criteria is not called for and may not be beneficial for supervisors in practice. From a current perspective, the number of IAIGs globally is manageable and supervisors should apply objective and verifiable criteria to set the scope consistently. The criteria established by the IAIS in CF 23.0.a together with the overarching concepts should provide experienced supervisors with the appropriate and sufficient balance between established guidance and leeway to achieve the objectives of group-supervision.

The example in the first bullet point seems to further indicate that host supervisors (potentially overseeing overall smaller markets than the overall home/group-supervisor) have a right of overruling not just the IAIS established criteria but also the decision made by the group-supervisor. This would not be

appropriate.

Q14 Comment on ComFrame Guidance CF23.0.b.3

Insurance Europe is not convinced that the list of examples provided is necessary, please refer to comment on ComFrame Guidance CF23.0.b.2.

Q15 Comment on ComFrame Standard CF23.0.c

Comment Box

Q16 Comment on ComFrame Standard CF23.0.d

Comment Box

Q17 Comment on ComFrame Guidance CF23.0.d.1

Comment Box

Q18 Comment on ComFrame Standard CF23.1.a

Comment Box

Q19 Comment on ComFrame Standard CF23.1.b

Comment Box

Q20 Comment on ComFrame Guidance CF23.1.b.1

Comment Box

Q21 Comment on ComFrame Standard CF23.1.c

Comment Box

Q22 Comment on ComFrame Guidance CF23.1.c.1

Comment Box

Q23 Comment on ComFrame Guidance CF23.1.c.2

Q24 Comment on ComFrame Guidance CF23.1.c.3

Comment Box

Q25 Comment on ComFrame Guidance CF23.1.c.4

Comment Box

Q26 Comment on ComFrame Standard CF23.1.d

Comment Box

Q27 Comment on ComFrame Guidance CF23.1.d.1

Comment Box

Q28 Comment on ComFrame Guidance CF23.1.d.2

Comment Box

Q29 Comment on ComFrame Guidance CF23.1.d.3

Comment Box

Q30 Comment on ComFrame Standard CF23.1.e

The criterion in the second bullet point seems to be overly subjective. The criteria for determining the Head of an IAIG should be objective and transparent.

Q31 Comment on ComFrame Guidance CF23.1.e.1

It is unclear why banks should be targeted and excluded from the scope if the same requirements are fulfilled. A clarification would be appreciated.

Q32 Comment on ComFrame Guidance CF23.1.e.2

Comment Box

Q33 Comment on ComFrame Standard CF23.1.f

Comment Box

Q34 Comment on ComFrame Guidance CF23.1.f.1

Comment Box

Q35 Comment on ComFrame Standard CF23.2.a

Provisions on obtaining information are detailed for IAIGs only, although similar considerations would apply for non-IAIGs. It would further be worth considering whether the content of these ComFrame provisions would not be more appropriate under ICPs 3 (Information Exchange and Confidentiality Requirements), 9 (Reporting) and/or 25 (Supervisory Cooperation and Coordination).

Q36 Comment on ComFrame Guidance CF23.2.a.1

Comment Box

Q37 Comment on ComFrame Guidance CF23.2.a.2

Comment Box

Q38 Comment on ComFrame Guidance CF23.2.a.3

Comment Box