

IAIS Consultations

Print view of your comments on "i. ICPs 15 and 16 and ComFrame material integrated with ICPs 15 and 16 ii. Proposed definitions of ERM-related terms iii. Additional questions related to ICP 16 and ComFrame material integrated with ICP 16" - Date: 31.01.2018, Time: 16:42

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Question	
	Q1 General comment on ICP 15
Answer	<p>Insurance Europe welcomes the revisions to ICP 15 and the inclusion of the Comframe material.</p> <p>Insurance Europe considers that the principle of "freedom of investment" should be incorporated in this ICP, with the understanding that no limits on either investment assets or jurisdictions, nor any obligations to invest in specific assets or jurisdictions are appropriate. Prudential concerns on investment risks should instead be addressed via appropriate and balanced qualitative and quantitative measures, which should have as a key objective the correct identification and measurement of the actual risks that insurers are exposed to when investing.</p>
	Q2 General comment on ComFrame material in ICP 15
Answer	
	Q3 Comment on Principle ICP 15
Answer	
	Q4 Comment on Standard ICP 15.1
Answer	
	Q5 Comment on Guidance ICP 15.1.1
Answer	
	Q6 Comment on Guidance ICP 15.1.2
Answer	<p>While Insurance Europe appreciate the need for quantitative and qualitative requirements for investment risk, it does not support investment limits. It believes that the principle of "freedom of investment" should be incorporated in this ICP, with the understanding that no limits on investment nor any obligations to invest in specific assets are appropriate. Instead, a risk-based and principle-based prudential framework should allow for full flexibility in the investment risks that an insurer takes, as long as the insurer is able to appropriately identify, monitor, measure the risks inherent in its investment, from a qualitative and/or quantitative perspective.</p>

Insurance Europe believes that guidance under 15.1 can usefully be expanded to cover the notion of a 'prudent person principle'. This principle should require that, with respect to the whole portfolio of an insurer's assets, it only invests in assets and instruments whose risk it can properly identify, measure, monitor, manage, control and report, and appropriately consider in the assessment of its overall solvency needs. In addition, assets should be required to be invested appropriate to the nature and duration of insurance liabilities, as well as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. Furthermore, it should be required that investments are made in the best interests of policyholders and beneficiaries to avoid any potential conflicts of interest.

With respect to quantitative measures to address investment risk, Insurance Europe notes it is key that framework measure the actual risks that insurers are exposed to.

Insurance Europe notes that the area of investment risk is very important in the development of ComFrame and ICS, and highlights the need for ICS quantitative requirements to be appropriately balanced with qualitative requirements, to achieve outcomes that are not unduly complex.

Q7 Comment on Guidance ICP 15.1.3

Answer

Insurance Europe believes that bullet point 2 should be removed from ICP 15 and considered in ICP 17. Specifically, the way in which the quality of capital resources is addressed by the supervisor (second bullet point) in the establishment of regulatory investment requirements should be part of the framework on capital resources and their composition, and should therefore be addressed as part of ICP 17.

Insurance Europe proposes that, in bullet point 3, "third parties" is replaced by "investors" or "market participants". As this guidance discusses comprehensiveness and transparency, it is unclear who the "third parties" referenced are. Insurance Europe understands that this is a reference to investors in general and as such recommends altering the wording. "Investors" or "Market participants" would be more appropriate.

Insurance Europe strongly supports the content of the fifth bullet point which considers the practical implications of investment regulation. Indeed, regulation needs to be reviewed and amended frequently to maintain its relevance given the innovation inherent in financial markets.

Q8 Comment on Guidance ICP 15.1.4

Answer

Insurance Europe believes that it would be appropriate to remove or at least redraft guidance 15.1.4.

While Insurance Europe appreciates that supervisors consider requirements applied in other, non-insurance, financial sectors when establishing investment regulatory requirements. The current objective of "level playing field" introduces ambiguity rather than guidance and makes the full paragraph 15.1.4 not necessary. Insurance Europe highlights that alignment is only viable if the regimes are actually having the same fundamental principles. If not than this could create the regulatory arbitrage the IAIS is trying to avoid.

Insurance Europe proposes the guidance to be removed or, alternatively, the following rewording:

"Additionally, the supervisor should consider requirements applied in other, non-insurance, financial sectors when establishing regulatory investment requirements for insurers. It is important that requirements across financial sectors are as consistent as possible in order to prevent groups from transferring assets between its entities to take advantage of the occurrence of the potential for regulatory arbitrage. Consistency of regulation between sectors may assist in maintaining a level playing field and enhancing fairness. However, such requirements should take into account the differences in risk profiles and risk management between sectors."

Q9 Comment on Guidance ICP 15.1.5

Answer

Insurance Europe supports the openness and transparency of the regulatory investment requirements and agrees that the objectives of the regulatory investment requirements should be explicitly stated.

Q10 Comment on Guidance ICP 15.1.6

Answer

Insurance Europe supports principle-based investment regulatory requirements. Principle-based requirements promote enhanced understanding, assessment and quantification of investment risks, enables insurers to develop investment strategies to achieve their business objectives and improves market efficiency.

In addition, principle-based requirements on investments are consistent with a risk-based approach to prudential regulation.

Q11 Comment on Guidance ICP 15.1.7

Answer

Q12 Comment on Guidance ICP 15.1.8

Answer

Q13 Comment on Guidance ICP 15.1.9

Answer

Q14 Comment on Guidance ICP 15.1.10

Answer

Insurance Europe does not agree with the statement that it would be more difficult for the supervisor to take appropriate measures under a principle-based approach. However, it acknowledges that supervisors may need to dedicate additional time and effort in order to understand and assess undertakings' approach to investment risk.

Q15 Comment on Guidance ICP 15.1.11

Answer

Insurance Europe notes that, while assets are primarily targeting coverage of liabilities (including technical provisions and capital requirements), any surplus in assets is at the discretion of management and the ultimate parent (if control is exercised), and should be free of restrictions.

Q16 Comment on Guidance ICP 15.1.12

Answer

Insurance Europe believes that the content of ICP 15.1.12 is sufficiently similar to ICP 15.1.5 to justify amalgamation of these two sections.

Insurance Europe believes that the reference to the fungibility of capital should be removed. All issues relating to capital resources should be addressed in ICP 17.

Q17 Comment on Guidance ICP 15.1.13

Answer

While Insurance Europe appreciate the need for quantitative and qualitative requirements for investment risk, it does not support investment limits. It believes that the principle of "freedom of investment" should be incorporated in this ICP, with the understanding that no limits on investment nor any obligations to invest in specific assets are appropriate. Instead, a risk-based and principle-based prudential framework should allow for full flexibility in the investment risks that an insurer takes, as long as the insurer is able to appropriately identify, monitor, measure the risks inherent in its investment, from a qualitative and/or quantitative perspective.

See comments on 15.1.2.

Q18 Comment on Guidance ICP 15.1.14

Answer	Insurance Europe highlights that regulatory requirements should not weaken the benefits of being part of a group. Risks related to intra-group transactions are not necessarily part of regulatory investment requirements, and could instead be addressed in the context of group supervision.
	Q19 Comment on Standard ICP 15.2
Answer	
	Q20 Comment on Guidance ICP 15.2.1
Answer	
	Q21 Comment on Guidance ICP 15.2.2
Answer	<p>Insurance Europe does not support reference to regulatory investment requirements that may restrict investments in a selection of assets.</p> <p>As previously highlighted, Insurance Europe strongly supports principle based investment requirements, as opposed to arbitrary limits.</p> <p>Insurance Europe believes that regulatory investment requirements should incorporate both a qualitative and a quantitative approach to investment risk, but no investment limits. From a qualitative perspective, investment requirements should be governed by the internal processes of the insurers such as ALM studies, definition of risk appetite, and market risk policies.</p> <p>See comments on 15.1.2.</p>
	Q22 Comment on Guidance ICP 15.2.3
Answer	
	Q23 Comment on Guidance ICP 15.2.4
Answer	<p>Insurance Europe believes that the third sentence should be deleted or redrafted to improve clarity. It is not clear what the third sentence in this section is suggesting and why this would improve the security of investments.</p> <p>Insurance Europe does not believe that the supervisor should mandate requirements on what constitutes appropriate use of credit ratings or specify limits for their use.</p> <p>Insurers will either perform their investments internally, within the investment department/function of a company, or externally, via a mandate that is given to an external asset manager. Irrespective of the approach taken, the investment decisions require a complex set of factors to be taken into account and are not solely (and often not at all) based on the credit rating of a given investment product. The role of internal credit risk assessment in this process is limited to specific cases where scrutiny of the external rating is appropriate. Therefore, an insurer's own internal due diligence and risk assessment, access to various external sources for credit risk assessment, market-based assessments usually complement the use of external credit ratings in its overall risk assessment.</p> <p>With respect to reliance on external credit rating agencies, Insurance Europe would support provisions along the lines of: "In order to avoid overreliance on external credit assessment institutions, undertakings shall assess the appropriateness of those external credit assessments as part of their risk management by using additional assessments wherever practicably possible in order to avoid any automatic dependence on external assessments.</p>
	Q24 Comment on Guidance ICP 15.2.5
Answer	
	Q25 Comment on Guidance ICP 15.2.6

Answer	Insurance Europe believes the third sentence should be deleted or redrafted to improve clarity. It suggests that investments located outside of the operating jurisdiction may pose a particular risk, by suggesting a limitation that the insurer can only invest in investments located in countries in which it writes underwriting business. This seems unnecessarily restrictive, and insurers should be allowed to invest in line with their needs, as long as they can meet the qualitative and quantitative prudential requirements related to investments.
	Q26 Comment on Guidance ICP 15.2.7
Answer	
	Q27 Comment on Guidance ICP 15.2.8
Answer	
	Q28 Comment on Guidance ICP 15.2.9
Answer	<p>The last sentence in this guidance should be removed, not least because it is not consistent with the concept of a principles-based approach introduced in other parts of this ICP.</p> <p>It is not appropriate for supervisors to prescribe investment limits for groups. Should supervisors wish to have a picture on particular types of risk concentration at group level, the best tool to achieve this would be via reporting.</p> <p>See comments on 15.1.2.</p>
	Q29 Comment on ComFrame Standard CF 15.2a
Answer	
	Q30 Comment on ComFrame Guidance CF 15.2a.1
Answer	Insurance Europe proposes to delete this point. An insurer would always need to take into account local regulatory investment requirements regardless of the quality of the assets. The distinction that this is required for low-quality assets is therefore unnecessary.
	Q31 Comment on ComFrame Standard CF 15.2b
Answer	<p>Insurance Europe would welcome further clarification of “undue reliance”.</p> <p>It further welcomes that the assessment should be made on its larger or more complicated exposures and notes that it is unrealistic to expect an IAIG to perform bespoke credit analysis on each of its investments.</p> <p>Not only do insurance companies have limited interest and ability in developing exhaustive credit risk assessment models, but they also do not have the special expertise, access to a wealth of internal information and ability to make use of economies of scale and scope that Credit Rating Agencies have, and which make it possible for them to issue credit ratings. It is very difficult to imagine how such a complex business model could be replicated within an insurance company. Insurance Europe therefore believes that any proposals aimed at requiring undertakings to carry out own credit risk assessments for every entity or financial instrument would not be realistic.</p>
	Q32 Comment on ComFrame Guidance CF 15.2b.1
Answer	
	Q33 Comment on Guidance ICP 15.2.10
Answer	

Q34 Comment on Guidance ICP 15.2.11

Answer

Q35 Comment on Guidance ICP 15.2.12

Answer

Q36 Comment on Guidance ICP 15.2.13

Answer

Q37 Comment on Guidance ICP 15.2.14

Answer

Q38 Comment on Guidance ICP 15.2.15

Answer

Insurance Europe believes that the last sentence of the guidance, referring to transfer pricing, should be removed.
Given that transfer pricing is an accounting/taxation concept, reference to it in the guidance adds no value.

Q39 Comment on Guidance ICP 15.2.16

Answer

The reference to fungibility of capital should be removed and considered instead in ICP 17.

Q40 Comment on ComFrame Standard CF 15.2c

Answer

Insurance Europe believes this standard should be removed as it related to capital fungibility, and not to investments, and should therefore be part of ICP 17.

Q41 Comment on ComFrame Guidance CF 15.2c.1

Answer

Insurance Europe believes this standard should be removed as it related to capital fungibility, and not to investments, and should therefore be part of ICP 17.

Q42 Comment on ComFrame Standard CF 15.2d

Answer

Insurance Europe believes this standard should be removed as it related to capital fungibility, and not to investment, and should therefore be part of ICP 17.

Q43 Comment on Guidance ICP 15.2.17

Answer

Q44 Comment on Guidance ICP 15.2.18

Answer

Q45 Comment on Guidance ICP 15.2.19

Answer

Q46 Comment on Guidance ICP 15.2.20

Answer	
	Q47 Comment on Guidance ICP 15.2.21
Answer	
	Q48 Comment on ComFrame Standard CF 15.2e
Answer	<p>Insurance Europe is concerned by the requirements on investment limits and concentration risk and notes that both requirements can actually be replaced with a more principle-based approach, which would be in line with a risk-sensitive framework.</p> <p>Concretely, Insurance Europe believes the following redrafting would address the problem:</p> <p>"The group-wide supervisor requires the Head of the IAIG to consider internal limits or other requirements in the group-wide investment policy so that assets are properly diversified and asset concentration risk remains within established limits."</p>
	Q49 Comment on ComFrame Guidance CF 15.2e.1
Answer	
	Q50 Comment on ComFrame Standard CF 15.2f
Answer	
	Q51 Comment on ComFrame Guidance CF 15.2f.1
Answer	
	Q52 Comment on Standard ICP 15.3
Answer	
	Q53 Comment on Guidance ICP 15.3.1
Answer	
	Q54 Comment on Guidance ICP 15.3.2
Answer	
	Q55 Comment on Guidance ICP 15.3.3
Answer	<p>Insurance Europe notes that mismatched positions should be assessed in terms of risk, and, in the context of a risk-based framework, should be assessed against existing capital requirements, and not against technical provisions - which would not be able to capture the actual risk.</p>
	Q56 Comment on Guidance ICP 15.3.4
Answer	
	Q57 Comment on Guidance ICP 15.3.5
Answer	
	Q58 Comment on Guidance ICP 15.3.6
Answer	

Q59 Comment on Standard ICP 15.4

Answer

Insurance Europe supports the idea of proper assessment and management of risk. However, in some cases, full transparency into the underlying assets may not be available to the insurer. In these instances, investment should still be permitted, provided the insurer can demonstrate that the risks associated with the investment can be assessed and managed by the insurer.

Q60 Comment on Guidance ICP 15.4.1

Answer

Please see comments under question 6 above which are also relevant to this section.

Q61 Comment on Guidance ICP 15.4.2

Answer

Q62 Comment on Guidance ICP 15.4.3

Answer

Q63 Comment on Guidance ICP 15.4.4

Answer

Insurance Europe believes that the first sentence of the guidance should be removed, as it is not in line with a risk-based prudential framework.

In addition, Insurance Europe notes that it is not correct to assume that non-traded assets are difficult to measure. Apart from assets that have quoted price, a wide range of assets can be measured on the basis on inputs that represent quotes prices (eg discounting cash flows of an unquoted bond on the basis of quoted discount rates).

Q64 Comment on Guidance ICP 15.4.5

Answer

Insurance Europe suggests the following wording change: 'The insurer should have access to the requisite knowledge and skills to assess and manage...'

Q65 Comment on Guidance ICP 15.4.6

Answer

Q66 Comment on ComFrame Standard CF 15.4a

Answer

Q67 Comment on ComFrame Guidance CF 15.4a.1

Answer

Q68 Comment on Standard ICP 15.5

Answer

While Insurance Europe appreciate the need for quantitative and qualitative requirements for investment risk, it does not support investment limits. It believes that the principle of "freedom of investment" should be incorporated in this ICP, with the understanding that no limits on investment nor any obligations to invest in specific assets are appropriate. Instead, a risk-based and principle-based prudential framework should allow for full flexibility in the investment risks that an insurer takes, as long as the insurer is able to appropriately identify, monitor, measure the risks inherent in its investment, from a qualitative and/or quantitative perspective.

See comments on 15.1.2.

Q69 Comment on Guidance ICP 15.5.1

Answer

Q70 Comment on Guidance ICP 15.5.2

Answer

While Insurance Europe appreciate the need for quantitative and qualitative requirements for investment risk, it does not support investment limits. It believes that the principle of "freedom of investment" should be incorporated in this ICP, with the understanding that no limits on investment nor any obligations to invest in specific assets are appropriate. Instead, a risk-based and principle-based prudential framework should allow for full flexibility in the investment risks that an insurer takes, as long as the insurer is able to appropriately identify, monitor, measure the risks inherent in its investment, from a qualitative and/or quantitative perspective.

Q71 Comment on Guidance ICP 15.5.3

Answer

While Insurance Europe appreciate the need for quantitative and qualitative requirements for investment risk, it does not support investment limits. It believes that the principle of "freedom of investment" should be incorporated in this ICP, with the understanding that no limits on investment nor any obligations to invest in specific assets are appropriate. Instead, a risk-based and principle-based prudential framework should allow for full flexibility in the investment risks that an insurer takes, as long as the insurer is able to appropriately identify, monitor, measure the risks inherent in its investment, from a qualitative and/or quantitative perspective.

Q72 Comment on Guidance ICP 15.5.4

Answer

Insurance Europe appreciates that there may be additional supervisory concerns relating to SPEs. It should be clearly stated that the investments strategy for an SPE may differ from the insurer's investment strategy (it may be more or less restrictive). As previously highlighted, Insurance Europe strongly supports principle-based investment requirements, as opposed to arbitrary limits. Restrictions on investment strategy may lead to arbitrary limits, while prudential concerns could in fact be addressed differently.

Q73 Comment on Guidance ICP 15.5.5

Answer

Q74 Comment on Guidance ICP 15.5.6

Answer

Q75 Comment on Guidance ICP 15.5.7

Answer

Q76 Comment on Guidance ICP 15.5.8

Answer

Q77 Comment on Guidance ICP 15.5.9

Answer

Q78 Comment on Guidance ICP 15.5.10

Answer	
	Q79 Comment on Guidance ICP 15.5.11
Answer	
	Q80 Comment on Guidance ICP 15.5.12
Answer	
	Q81 General comment on ICP 16
Answer	<p>Insurance Europe welcomes the opportunity to provide comments.</p> <p>Insurance Europe would like to note that there are significant overlaps and no clear interface between ICPs 16 and 8. There is in fact a significant number of duplications, for example concerning risk identification and risk measurement, stress testing, risk appetite statement and risk limits. In addition, there are a number of inconsistencies. For example, the actuarial function is part of risk management in ICP 8.6 but the group actuarial function is part of ERM according to CF 16.7e, ORSA should assess the adequacy of risk management but is part of ICP 16.8 while the Head of the IAIG should review the risk management system annually according to CF 8.1c. In Insurance Europe's view an adequate risk management should follow a comprehensive enterprise risk approach (including ORSA, material risk categories and capital requirements).</p> <p>To address the duplications and contradictions, Insurance Europe believes that ICP 8 and 16 and relevant ComFrame material should be merged, while capital adequacy requirements should be summarised in ICP 17.</p> <p>In addition, 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 ORSA) and prevents the proportional implementation of an adequate risk management system. In fact, the principle-based approach of the framework is endangered by 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.</p> <p>Furthermore, Insurance Europe would ask that the ICP is informed by the existing high standards across regulatory frameworks. While ICP 16 describes a number of policies (Group-wide ALM policy, Investment policy, Underwriting policy, Group-wide claims management policy, Group-wide reinsurance and risk transfer strategy, Group wide actuarial policy), these are already required by local regulation in a number of jurisdictions, so these should form the benchmark rather than the ICP aiming at significantly more prescriptive requirements.</p>
	Q82 General comment on ComFrame material in ICP 16
Answer	
	Q83 Comment on Principle ICP 16
Answer	
	Q84 Comment on Introductory Guidance ICP 16.0.1
Answer	
	Q85 Comment on Introductory Guidance ICP 16.0.2
Answer	
	Q86 Comment on Introductory Guidance ICP 16.0.3
Answer	

Q87 Comment on Introductory Guidance ICP 16.0.4

Answer

Q88 Comment on Introductory Guidance ICP 16.0.5

Answer

Q89 Comment on Introductory Guidance ICP 16.0.6

Answer

Q90 Comment on Introductory Guidance ICP 16.0.7

Answer

Insurance Europe welcomes the continued commitment towards internal model use and a total balance sheet approach in the context of ERM for solvency purposes.

Q91 Comment on Introductory Guidance ICP 16.0.8

Answer

Q92 Comment on Standard ICP 16.1

Answer

Whilst the separation of former Standards ICP 16.1 into proposed ICP 16.1 and 16.2 (ie separating the aspect of risk identification from risk quantification/measurement) is welcomed, it is unclear to what extent risk interdependencies for risk and capital management can be identified without quantifying the risk identified. Accordingly, Guidance ICPs 16.1.3 and in particular 16.1.7 and 16.1.8 on group perspective introduce assumptions and links to groups' solvency assessments that are only discussed later in the ICP.

Q93 Comment on Guidance ICP 16.1.1

Answer

Q94 Comment on Guidance ICP 16.1.2

Answer

Q95 Comment on Guidance ICP 16.1.3

Answer

Q96 Comment on Guidance ICP 16.1.4

Answer

Q97 Comment on Guidance ICP 16.1.5

Answer

Q98 Comment on Guidance ICP 16.1.6

Answer

Q99 Comment on Guidance ICP 16.1.7

Answer Guidance 16.1.7 and 16.1.8 on group perspectives go beyond identification of risks and their interdependencies. Furthermore, Insurance Europe would like to stress that for the purpose of regulatory capital assessment, the ERM should not create a third solvency capital requirement. 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. Please also see comments provided on Guidance ICP 16.13.17.

Q100 Comment on Guidance ICP 16.1.8

Answer

Q101 Comment on ComFrame Standard CF 16.1a

Answer

Q102 Comment on ComFrame Standard CF 16.1b

Answer

Insurance Europe would ask the IAIS to clearly define the risk categories to avoid ambiguity, in particular it should be clarified what “strategic risk” as a separate risk category should entail. It is important this is clear, given that the list purports to establish the minimum risks an IAIG’s ERM needs to cover.

In Insurance Europe’s view, strategic risk and concentration risks are not necessarily separate risk types, but are sometimes factors reflected in other risks. For example, instead of being categorised as a separate risk type, an IAIG’s ERM would recognise concentration risks the reflection of too little diversification within or across risk types. Increased risk or volatility arising from concentrations is considered within each of the risk types. It is possible that strategic/planning risks are not dealt with as a separate category either. ‘Risks’ often associated with strategic planning or change in the competitive landscape could be treated either as causes of other risks (eg inappropriate distribution planning could cause increased lapses or claims) or as operational risks.

Insurance Europe would furthermore suggest that Guidance on group risk could form a useful addition and clarification in the context of ERM for IAIGs.

Q103 Comment on ComFrame Standard CF 16.1c

Answer

Insurance Europe would ask the IAIS to clearly define how they expect IAIGs to demonstrate this requirement. While IAIGs already undertake most of these activities, this information is not necessarily all held in a single document, and it would be burdensome and of little value to create a new document setting out things that are already addressed.

Q104 Comment on ComFrame Guidance CF 16.1c.1

Answer

Q105 Comment on ComFrame Guidance CF 16.1c.2

Answer

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). Insurance Europe appreciates that a harmonised approach across ICPs may not be feasible at this stage due to the staged approach in revising ICPs in silo teams. However, this will result in significant work to be done in the overall review of ComFrame scheduled for 2018. This has two practical consequences in Insurance Europe’s view: sufficient resources and time have to be reserved for the review on both sides IAIS and stakeholders, and the overall review in 2018 will likely cause the ICPs to require significant amendment again.

Q106 Comment on ComFrame Guidance CF 16.1c.3

Answer	
	Q107 Comment on ComFrame Guidance CF 16.1c.4
Answer	
	Q108 Comment on Standard ICP 16.2
Answer	
	Q109 Comment on Guidance ICP 16.2.1
Answer	To clarify the exemplary nature of the list of the techniques, as well as the relationship between techniques and validation, Insurance Europe would prefer if the Guidance read: “... using appropriate forward-looking quantitative techniques, such as risk modelling and validation thereof (for example via stress testing, or scenario analysis)”
	Q110 Comment on Guidance ICP 16.2.2
Answer	
	Q111 Comment on Guidance ICP 16.2.3
Answer	
	Q112 Comment on Guidance ICP 16.2.4
Answer	
	Q113 Comment on Guidance ICP 16.2.5
Answer	
	Q114 Comment on Guidance ICP 16.2.6
Answer	
	Q115 Comment on Guidance ICP 16.2.7
Answer	
	Q116 Comment on Guidance ICP 16.2.8
Answer	Insurance Europe supports the continued commitment to the use of internal models for the assessment of current financial resources and the calculation of regulatory capital requirements.
	Q117 Comment on Guidance ICP 16.2.9
Answer	
	Q118 Comment on Guidance ICP 16.2.10
Answer	
	Q119 Comment on Guidance ICP 16.2.11
Answer	

Q120 Comment on Guidance ICP 16.2.12

Answer

Q121 Comment on Guidance ICP 16.2.13

Answer

Q122 Comment on Guidance ICP 16.2.14

Answer

Q123 Comment on Guidance ICP 16.2.15

Answer

Q124 Comment on Guidance ICP 16.2.16

Answer

Q125 Comment on Guidance ICP 16.2.17

Answer

Q126 Comment on ComFrame Standard CF 16.2a

Answer

Insurance Europe has doubts that requiring an economic capital model to be used by IAIGs is 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.

Q127 Comment on ComFrame Guidance CF 16.2a.1

Answer

Q128 Comment on ComFrame Guidance CF 16.2a.2

Answer

Q129 Comment on ComFrame Guidance CF 16.2a.3

Answer

Q130 Comment on ComFrame Standard CF 16.2b

Answer

Insurance Europe believes that an independent review of ERM framework every three years is overly onerous and imposes another constraint on Groups in an area which is already well regulated – as such the cost may outweigh the benefits.

Q131 Comment on ComFrame Guidance CF 16.2b.1

Answer

Q132 Comment on Guidance ICP 16.2.18

Answer

Q133 Comment on Guidance ICP 16.2.19

Answer	
	Q134 Comment on Guidance ICP 16.2.20
Answer	
	Q135 Comment on Guidance ICP 16.2.21
Answer	
	Q136 Comment on ComFrame Standard CF 16.2c
Answer	Reverse stress testing is only relevant for the purpose of internal model validations and should therefore not be mandatory for IAIGs per se.
	Q137 Comment on ComFrame Guidance CF 16.2c.1
Answer	
	Q138 Comment on Standard ICP 16.3
Answer	Insurance Europe would suggest that this Standard and general documentation requirement (the requirement to “describe”) goes beyond risk management for solvency purposes. Considering the overall intention of this review of addressing overlaps with ICP 8, Insurance Europe would suggest that the Standard may be better placed in ICP 8 (with a link to ICP 16 where reference is made to management of capital).
	Q139 Comment on Guidance ICP 16.3.1
Answer	
	Q140 Comment on Guidance ICP 16.3.2
Answer	
	Q141 Comment on Guidance ICP 16.3.3
Answer	
	Q142 Comment on Guidance ICP 16.3.4
Answer	
	Q143 Comment on Guidance ICP 16.3.5
Answer	<p>Insurance Europe believes 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.</p> <p>Furthermore, the relationship between this Guidance and the content of Standard ICP 16.3 is unclear.</p> <p>If back-testing is ultimately recommended, the IAIS would need to provide clear requirements on which models are in scope as this could inadvertently become a very wide-ranging requirement. Insurance Europe would recommend linking it to the internal model.</p>
	Q144 Comment on Guidance ICP 16.3.6

Answer	Insurance Europe appreciates the acknowledgment of non-traditional forms of reinsurance (eg finite reinsurance) in ICP 16.3.6.
	Q145 Comment on Standard ICP 16.4
Answer	As per Insurance Europe's comment on revised Guidance ICP 8.1.2, a specific "risk appetite statement" 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.
	Q146 Comment on Guidance ICP 16.4.1
Answer	
	Q147 Comment on Guidance ICP 16.4.2
Answer	
	Q148 Comment on Guidance ICP 16.4.3
Answer	
	Q149 Comment on Guidance ICP 16.4.4
Answer	
	Q150 Comment on Guidance ICP 16.4.5
Answer	
	Q151 Comment on Guidance ICP 16.4.6
Answer	
	Q152 Comment on Guidance ICP 16.4.7
Answer	
	Q153 Comment on Guidance ICP 16.4.8
Answer	<p>Please refer to the response to ICP 16.4</p> <p>Further, the current working seems to imply that the group should set legal entity risk appetites. This is, however, inappropriate as legal entities will all have their own Boards. If what is meant is that the group should have a view on the contribution of any entity to its risk limits (eg no entity should be responsible for no more than x% of North American earthquake), then this should be reworded to reflect that point more appropriately.</p>
	Q154 Comment on ComFrame Standard CF 16.4a
Answer	Insurance Europe believes this Standard does not add significant value to Standard ICP 16.4 and questions whether groups and IAIGs require different treatment here.
	Q155 Comment on Standard ICP 16.5

Answer	<p>Insurance Europe agrees that it is important, especially for life insurers, to have an 'asset-liability management policy,' however, this may not be so much the case for pure non-life insurance undertakings. It should however be clarified that the format of such policy (within an entity's overall risk management policy or as a standalone document) should not be prescribed by regulation.</p> <p>Prescribing the required content of such a policy is also too granular for Standard level and should be deleted. The Standard could be limited to say:</p> <p>"The supervisor requires the insurer's ERM framework to include an explicit asset-liability management (ALM) policy which clearly specifies the nature, role and extent of ALM activities."</p>
Answer	<p>Q156 Comment on Guidance ICP 16.5.1</p> <p>Please refer to the response to ICP 16.5</p>
Answer	<p>Q157 Comment on Guidance ICP 16.5.2</p>
Answer	<p>Q158 Comment on Guidance ICP 16.5.3</p>
Answer	<p>Q159 Comment on Guidance ICP 16.5.4</p>
Answer	<p>Q160 Comment on Guidance ICP 16.5.5</p>
Answer	<p>Q161 Comment on Guidance ICP 16.5.6</p>
Answer	<p>Q162 Comment on Guidance ICP 16.5.7</p>
Answer	<p>Q163 Comment on Standard ICP 16.6</p> <p>Insurance Europe agrees an insurance undertaking should have an 'investment policy', however, the decision on the detailed content of this policy should be at the discretion of the insurance undertaking. Overall, the Standard should however be moved to ICP 15, including a reference to ICP 16 and the fact that the investment policy forms part of the ERM framework.</p>
Answer	<p>Q164 Comment on Guidance ICP 16.6.1</p>
Answer	<p>Q165 Comment on Guidance ICP 16.6.2</p>

Answer Please refer to the response to ICP 16.6. This Guidance is overly prescriptive and certainly cannot be applied to all (re)insurers to a full extent.

Additionally, Insurance Europe would like to point out that the list of examples for “inherently risky financial instruments” 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.

Q166 Comment on Guidance ICP 16.6.3

Answer

Q167 Comment on Guidance ICP 16.6.4

Answer

Q168 Comment on Guidance ICP 16.6.5

Answer

Q169 Comment on Guidance ICP 16.6.6

Answer

Q170 Comment on Guidance ICP 16.6.7

Answer

Q171 Comment on Guidance ICP 16.6.8

Answer

While Insurance Europe agrees that stress-testing and contingency planning are useful tools to handle hard-to-model risks for complex strategies, it believes that the decision for the appropriate tools to assess these hard-to-model risks should be at the discretion of the insurance undertaking.

Q172 Comment on Guidance ICP 16.6.9

Answer

Please refer to the responses to Standard ICP 16.6 and Guidance ICP 16.6.2

This Guidance is overly prescriptive. Insurers should have sufficient flexibility to make prudent investment decisions. The requirement for insurers to (self-)restrict their investments (in derivatives or any other asset class) via their investment policy would likely interfere with local supervisory frameworks that are principle-based.

Q173 Comment on Standard ICP 16.7

Answer

Insurance Europe agrees an insurance undertaking should have an ‘underwriting risk management policy’, however, detailed content of this policy should be at the discretion of the insurance undertaking. ICP 16.7 and its accompanying Guidance seem overly prescriptive.

ICP 16.7 and its accompanying Guidance seem overly prescriptive and onerous, especially if the intention is to capture this in a single document.

Q174 Comment on Guidance ICP 16.7.1

Answer	
	Q175 Comment on Guidance ICP 16.7.2
Answer	
	Q176 Comment on Guidance ICP 16.7.3
Answer	
	Q177 Comment on Guidance ICP 16.7.4
Answer	The language should be broadened to allow for the policy to identify the risks that the company will decline too, rather than focusing only on the risks it will accept.
	Q178 Comment on Guidance ICP 16.7.5
Answer	
	Q179 Comment on Guidance ICP 16.7.6
Answer	
	Q180 Comment on ComFrame Standard CF 16.7a
Answer	It is unclear how data quality for the purposes of underwriting, pricing, reserving, and reinsurance processes is specific for IAIGs and hence why it is introduced at this level.
	Q181 Comment on ComFrame Guidance CF 16.7a.1
Answer	<p>It is not clear what the link is between the examples listed in this Guidance and Standard CF 16.7a and – even more so – Standard ICP 16.7 on underwriting risk management policies.</p> <p>The example of the elimination of intra-group transactions seems out of place here. It is not clear what the connection with ERM is.</p>
	Q182 Comment on ComFrame Standard CF 16.7b
Answer	<p>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.</p> <p>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). Considering the overall intention of addressing overlaps with ICP 8 under this review, Insurance Europe would suggest that the Standard may be better placed in ICP 8 or elsewhere.</p>
	Q183 Comment on ComFrame Guidance CF 16.7b.1
Answer	Please refer to the response to ComFrame Standard CF 16.7b
	Q184 Comment on ComFrame Standard CF 16.7c

Answer While Insurance Europe agrees that an IAIG should be required to establish a 'group-wide reinsurance and risk transfer strategy' the level of detail on the content of such a policy in Standard CF 16.7c is too granular and should be left to the IAIG's discretion.

Furthermore, reinsurance and other risk-mitigating techniques are not an IAIG-specific business area. The topic is broadly covered by ICP 13 (reinsurance and other forms of risk-mitigating techniques). While Insurance Europe is aware that the IAIS has decided ICP 13 to be non-contagious with ComFrame and has therefore opted for an early adoption of this ICP, the content of this Standard should really form part of ICP 13 and likely not only at IAIG level.

Q185 Comment on ComFrame Standard CF 16.7d

Answer 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.

Q186 Comment on ComFrame Guidance CF 16.7d.1

Answer 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.

Q187 Comment on ComFrame Guidance CF 16.7d.2

Answer Please refer to the response to ComFrame Standard CF 16.7d

Q188 Comment on ComFrame Guidance CF 16.7d.3

Answer Please refer to the response to ComFrame Standard CF 16.7d

Q189 Comment on ComFrame Standard CF 16.7e

Answer While Insurance Europe generally supports the yearly issuance of a report by the group-wide actuarial function, there is 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. Indeed, 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 the "annual group-wide actuarial opinion" go beyond the responsibilities generally expected of the actuarial function. Notably, the actuary's role is not to work on non-insurance entities and non-regulated entities. Insurance Europe would propose that the IAIS reconsiders bullet points 1 and 4.

Q190 Comment on ComFrame Guidance CF 16.7e.1

Answer

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.

Q191 Comment on ComFrame Guidance CF 16.7e.2

Answer

Insurance Europe suggests deleting the last bullet point as consideration of non-insurance entities is not generally in the scope of an actuary's responsibilities (please also refer to comments provided in response to CF 16.7e).

An overlap with other ICPs is evident in this Guidance and should be clarified by the IAIS, eg regarding asset/liability management under the group-wide investment policy (ICP 15) and in general with ICP 8 (see above).

Q192 Comment on Standard ICP 16.8

Answer

Insurance Europe would welcome a clarification on the subsequent Guidance on how the ORSA (and its documentation as per Guidance ICP 16.8.1) form part and/or relate to the overall ERM framework for solvency purposes. In the revised document, ICP 16.8 and the following seem to be unconnected with the rest of the document.

As mentioned in relation to ICP 8.1.18, Insurance Europe found the figure previously included in ICP 16 ("Figure 16.1 The IAIS standard ERM framework") helpful to clarify the risk management and ERM structure (including all tools foreseen therein). Insurance Europe would suggest that a similar updated graph – including the ORSA – could be provided by the IAIS.

Furthermore, Insurance Europe would like to make the following general remarks: • The ORSA should be appropriate to the nature, scale and complexity of the risks faced by the entity and/or Group.

The ORSA is integral part of the risk management (indistinguishable from it) of the entity (as noted in ICP 16.10 it should cover all material risks). Therefore ICP 16 and ICP 8 (incl relevant ComFrame material) should be merged.

Q193 Comment on Guidance ICP 16.8.1

Answer

Insurance Europe would propose the following addition to ICP 16.8.1:

"The insurer should document the main outcomes, rationale, calculations, and action plans arising from its ORSA."

Q194 Comment on Guidance ICP 16.8.2

Answer

Insurance Europe would suggest that ICP 16.8.2 should be specified to say that the ORSA should be largely driven by risk profile of the entity and reflect how it is structured and manages itself. Please also refer to general comments added on ICP 16.8.

Q195 Comment on Standard ICP 16.9

Answer

Q196 Comment on Guidance ICP 16.9.1

Answer	Insurance Europe would suggest that the role of the risk management function in the ORSA be clarified here as per ICP 8.4. Insurance Europe furthermore notes that there is also a potential overlap with CF16.2b (independent review of ERM framework) which should be clarified.
	Q197 Comment on Standard ICP 16.10
Answer	
	Q198 Comment on Guidance ICP 16.10.1
Answer	Insurance Europe would suggest that using “sources of risk” is preferable to “causes of risk”.
	Q199 Comment on Guidance ICP 16.10.2
Answer	
	Q200 Comment on Guidance ICP 16.10.3
Answer	
	Q201 Comment on Guidance ICP 16.10.4
Answer	
	Q202 Comment on Guidance ICP 16.10.5
Answer	Insurance Europe agrees that – where foreseeable – changes in the group structure should be considered in the ORSA, however, this should be at the discretion of the IAIG. This will allow for a balance between reasonable stress tests and stress tests that cover every possible eventuality.
	Q203 Comment on Guidance ICP 16.10.6
Answer	Insurance Europe is not convinced the first sentence of this Guidance adds value and would suggest this be deleted. Regarding the example included in the Guidance, Insurance Europe would like to clarify that performing such testing when “key/material entities” rather than when “each entity” of the group is in difficulty would be sufficient to identify issues (and more practical to conduct). Such testing may also not be necessary each time an ORSA is performed.
	Q204 Comment on Guidance ICP 16.10.7
Answer	
	Q205 Comment on ComFrame Standard CF 16.10a
Answer	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: - restrictions on capital movement - the transferability of assets between jurisdictions and the fungibility of capital Insurance Europe would appreciate if this could be clarified.
	Q206 Comment on ComFrame Guidance CF 16.10a.1

Answer	<p>Insurance Europe believes it should be at the discretion of the IAIG to decide on the appropriate risks -beyond the minimum prescribed risks - to include in the ORSA.</p> <p>The concept of “political risk” has been introduced without a definition. For the avoidance of doubt, the IAIS should provide a clear definition of what “political risk” means in this context. However, it is unclear why political and reputational risks are IAIG-specific.</p>
Q207 Comment on Standard ICP 16.11	
Answer	
Q208 Comment on Guidance ICP 16.11.1	
Answer	<p>Insurance Europe has strong concerns about the last sentence in this Guidance and would ask the IAIS to delete it. Compliance with the regulatory capital requirement (and not the economic capital) should determine whether a supervisor is “confident that risks are being well managed”. As indicated in response to Guidance ICP 16.1.7, Insurance Europe would like to stress that, for the purpose of regulatory capital assessment, the ERM/ORSA should not create a third solvency capital requirement. A deviation between the economic capital and the calculation of the regulatory capital must not lead to an automatic increase of capital. The supervisory authorities have a range of supervisory tools if they deem it necessary to react.</p>
Q209 Comment on Guidance ICP 16.11.2	
Answer	Please refer to response on Guidance ICP 16.11.1
Q210 Comment on Guidance ICP 16.11.3	
Answer	
Q211 Comment on Guidance ICP 16.11.4	
Answer	<p>Insurance Europe agrees it is important for an insurance undertaking to take into account the fact that it may need to raise new capital, however the necessity and the way to reflect this in the ORSA should be at the discretion of the insurance undertaking. It should be at the discretion of the insurer to demonstrate that it has reasonably considered recapitalising in a stress scenario.</p> <p>The content of this guidance is furthermore also included in ICP 17 and should not be repeated in ERM.</p>
Q212 Comment on Guidance ICP 16.11.5	
Answer	The content of this guidance is also included in ICP 17 and should not be repeated in ERM.
Q213 Comment on Guidance ICP 16.11.6	
Answer	While Insurance Europe does not disagree with the content of Guidance ICP 16.11.6, the paragraph is misplaced in ICP 16. Capital adequacy / quality should be addressed in ICP 17.
Q214 Comment on Guidance ICP 16.11.7	

Answer	Insurance Europe would suggest that the last sentence of this guidance is not necessary and should hence be deleted. The group should have discretion in the implementation of its risk and solvency management. Mandating the calculation of economic capital individually at the level of each insurance legal entity of the group could lead to inefficiencies and is not currently a requirement in all regulatory frameworks for groups supervision. Where not a regulatory requirement, it should be at the discretion of the group for which individual entities calculate economic capital (ie at entity level).
Q215 Comment on Guidance ICP 16.11.8	
Answer	Insurance Europe believes that the group-wide factors listed in this Guidance are important, however it believes that it should be at the discretion of the group to decide on the relevant factors to take into account. This should be reflected in the Guidance.
Q216 Comment on Standard ICP 16.12	
Answer	<p>Insurance Europe agrees that the continuity analysis is appropriate for insurance undertakings, however it should be at the discretion of the insurance undertaking to decide whether and how to perform the continuity analysis. If it is to be at the discretion of the supervisor, proportionality would be a key concern in the level of documentation or stress testing expected by the supervisor as part of prescribed continuity analysis.</p> <p>The comparison to the time horizon typically used to determine regulatory capital requirements is inappropriate. The underlying assumptions for models used to determine regulatory capital requirements vary and often extend to long horizons. Finally, for the reasons listed in response to Guidance ICP 16.1.7 and ICP 16.11.1, the comparison between the outcomes of the ORSA and the determination of the regulatory capital requirement is inappropriate.</p>
Q217 Comment on Guidance ICP 16.12.1	
Answer	<p>Insurance Europe has concerns over the requirements implied by ICP 16.12.1.</p> <p>The reference to “longer term” is not appropriate, however Insurance Europe appreciates that this guidance should apply to the extent where the continuity analysis is performed over the time horizon used for the ORSA (as per guidance ICP 16.12.6 and 16.12.1).</p> <p>However, long-term scenarios are often not adequate for non-life insurers as their business and investments are not typically of a long-term nature.</p>
Q218 Comment on Guidance ICP 16.12.2	
Answer	Insurance Europe suggests to delete or further clarify this point as it is ambiguous and potentially overlapping with ICP 16.10.1. ORSAs (including forward looking / continuity analyses) have to be performed regularly (Guidance ICP 16.10.1). If the supervisor identifies a deficiency, then this would be covered under the guidance in ICP 16.3.
Q219 Comment on Guidance ICP 16.12.3	
Answer	Reverse stress testing could be a valuable tool for insurance undertakings in order to determine the scenarios that would be the likely cause of failure, however, Insurance Europe believes the decision about the use of reverse stress test should be at the discretion of the insurance undertaking.
Q220 Comment on Guidance ICP 16.12.4	
Answer	
Q221 Comment on Guidance ICP 16.12.5	

Answer	Please refer to the response to Standard ICP 16.12
	Q222 Comment on Guidance ICP 16.12.6
Answer	Please refer to the response to Standard ICP 16.12
	Q223 Comment on Guidance ICP 16.12.7
Answer	Please refer to the response to Standard ICP 16.12
	Q224 Comment on Guidance ICP 16.12.8
Answer	
	Q225 Comment on Guidance ICP 16.12.9
Answer	
	Q226 Comment on Guidance ICP 16.12.10
Answer	Insurance Europe believes it should be at the discretion of the insurance group how to analyse its ability to continue in business, and to decide whether it is appropriate to consider its ability to continue to exist as an insurance group.
	Q227 Comment on Guidance ICP 16.12.11
Answer	Please refer to the response to Standard ICP 16.12
	Q228 Comment on Guidance ICP 16.12.12
Answer	Please refer to the response to Standard ICP 16.12
	Q229 Comment on Guidance ICP 16.12.13
Answer	Please refer to the response to Standard ICP 16.12
	Q230 Comment on Guidance ICP 16.12.14
Answer	Please refer to the response to Standard ICP 16.12
	Q231 Comment on ComFrame Standard CF 16.12a
Answer	
	Q232 Comment on ComFrame Guidance CF 16.12a.1
Answer	Insurance Europe believes the scope of the risks should be decided by the IAIG.
	Q233 Comment on Standard ICP 16.13

Answer Insurance Europe believes that, overall, Standard ICP 16.13 and its accompanying Guidance provide valuable information on the interaction between supervisor and insurer in the context of its ERM framework. It should, nevertheless, be clarified that when the material addresses solvency assessment and capital management processes, the regulatory capital setting is not automatically affected. Please refer to comments made in response to Guidance ICP 16.1.7 and others.

However, some of the Guidance under this standard is too prescriptive and should be reconsidered. (see general comments)

Q234 Comment on Guidance ICP 16.13.1

Answer

Q235 Comment on Guidance ICP 16.13.2

Answer

Q236 Comment on Guidance ICP 16.13.3

Answer It is not immediately obvious why model risk is specifically mentioned (last bullet point).

Q237 Comment on Guidance ICP 16.13.4

Answer

Q238 Comment on Guidance ICP 16.13.5

Answer

Q239 Comment on Guidance ICP 16.13.6

Answer Insurance Europe generally agrees with the necessity to provide the supervisor with information on ERM and risk and solvency assessments (first sentence of ICP 16.13.6).

However, the inclusion of the second sentence onwards should be reconsidered or at least reworded, bearing in mind existing reporting standards to minimise reporting inefficiencies. For example: • the information listed forms part of ORSA reports in a number of jurisdictions as well as in the documentation required in ICP 16.8.1. Additional requirements therefore appear to be redundant; • Some jurisdictions may require public disclosure of a solvency and financial condition report. Projections are therefore not appropriate in this context. The last bullet point should be deleted.

Finally, Insurance Europe notes that long-term scenarios are often not adequate for non-life insurers as their business and investments are not typically of a long-time nature.

Q240 Comment on Guidance ICP 16.13.7

Answer

Q241 Comment on Guidance ICP 16.13.8

Answer Insurance Europe appreciates that supervisors will require all underlying information on the ERM material in order to assess whether appropriate management action has been taken in response. However, the ERM framework interlinks with an insurer's business strategy, and supervisory involvement in the ERM framework therefore means supervisory involvement in the business strategy, it is crucial that sufficient reasons are provided to the insurer to explain the supervisor's decision. This involvement can potentially result in quite intrusive action by the supervisor and Insurance Europe would therefore urge that sufficient communication between the supervisor and the insurer takes place.

Q242 Comment on Guidance ICP 16.13.9

Answer

Prescribed market-wide stress test, with appropriately selected (realistic) stress scenarios can play a valuable role in allowing industry-wide vulnerabilities to be assessed and understood. Most regulatory frameworks in place, however, represent a system based on extreme stress scenarios. Therefore, care must be taken to avoid the stress test exercises resulting in unjustified additional capital requirements. Stress test exercises have been seen to create confusion where results of such stress-tests and comparisons are misrepresented in public and had unforeseen detrimental consequences. Stress testing should never be narrowed down to a "pass-or-fail" exercise.

Q243 Comment on Guidance ICP 16.13.10

Answer

Q244 Comment on Guidance ICP 16.13.11

Answer

Q245 Comment on Guidance ICP 16.13.12

Answer

Insurance Europe supports the Guidance provided in ICPs 16.13.12 and 16.13.13 on disclosure.

Q246 Comment on Guidance ICP 16.13.13

Answer

Q247 Comment on Guidance ICP 16.13.14

Answer

Q248 Comment on Guidance ICP 16.13.15

Answer

Q249 Comment on Guidance ICP 16.13.16

Answer

Q250 Comment on Guidance ICP 16.13.17

Answer

Insurance Europe strongly disagrees that the supervisory assessment of the group's ERM framework should in every case affect the level of capital that the insurance group is required to hold for regulatory purposes and any regulatory restrictions that are applied. Situations where potential findings from the ERM affect the regulatory capital assessment should be limited to clearly-defined scenarios and triggers (in some frameworks referred to as capital add-ons).

This link between ERM and regulatory capital is a key element of the overall IAIS framework and should not be mentioned in a Guidance at the end of ICP 16. It should form an integral part of ICP 17 instead and be deleted here for consistency.

Q251 Comment on Guidance ICP 16.13.18

Answer	While Insurance Europe strongly supports the use of internal models and believes that these will be particularly practicable for groups, a supervisor should not be able to require an insurance legal entity or a group to use an internal model, to carry out its ORSA. This should be in the discretion of the insurer / group.
	Q252 Comment on Guidance ICP 16.13.19
Answer	In the context of the thematic review and ComFrame, Insurance Europe believes that the introduction of another sub-category of groups (ie "insurance groups that are regarded as particularly important") is not helpful and should be deleted or aligned with the overall framework.
	Q253 General comment on proposed definition of ERM-related terms to be added to the IAIS Glossary
Answer	
	Q254 Comment on proposed definition of "ERM for Solvency Purposes"
Answer	Insurance Europe appreciates that the ERM for solvency purposes aims to link together different key areas of supervision and the definition captures this well, together with outlining that the ERM's purpose is aligned with the overall supervisory objectives of sound business operation and policy holder protection. However, as per ICP 1 supervisory objectives to be established by primary legislation may vary and the definition of ERM should acknowledge this.
	Q255 Comment on proposed definition of "ERM framework"
Answer	As mentioned in relation to ICPs 8.1.18 and ICP 16.8, Insurance Europe found the figure previously included in ICP 16 ("Figure 16.1 The IAIS standard ERM framework") helpful. to clarify the risk management and ERM structure (including all tools foreseen therein). Insurance Europe would suggest that a similar updated graph could be provided by the IAIS to specify exactly what "an integrated set of processes and activities" could mean.
	Q256 Comment on proposed definition of "Risk Capacity"
Answer	
	Q257 Comment on proposed definition of "Risk Limit"
Answer	
	Q258 Comment on proposed definition of "Risk Limits Structure"
Answer	Insurance Europe would appreciate a clarification of the relationship between the terms "risk limit", "risk limits structure", "risk appetite", and "risk appetite statement".
	Q259 Comment on proposed definition of "Risk Profile"
Answer	
	Q260 Actuarial policy – In addition to existing ICP material, should ICP material on actuarial policy for the purpose of ERM for solvency purposes be developed?
Answer	No

	Q261 ORSA – Should the interaction between ICS and ORSA be made clearer in ComFrame? If yes, what are the areas that are currently lacking in clarity?
Answer	No
	Q262 ORSA – Should the interaction between ICS and ORSA be made clearer by clarifying the assessment of the less readily quantifiable risks such as strategic risk and reputational risk?
Answer	No
	Q263 ORSA – Fungibility of capital: To what extent should the ORSA play a role as part of a holistic approach to the fungibility of capital within the ICS? In addition to the consideration of criteria within the capital resources framework of the ICS, would it be useful for ComFrame to provide some specificity on how supervisors should assess fungibility of capital and take that into account in assessing the overall capital adequacy of the IAIG?
Answer	No
	Q264 ORSA – Would it be useful for ComFrame to provide explanation on how supervisors should review the output of an IAIG's economic capital model against regulatory requirements, including the determination of follow-up regulatory actions?
Answer	No
	Q265 Stress testing – Should the complementarity between ICS and stress testing be made clearer in ComFrame? If yes, what are the areas that are currently lacking in clarity?
Answer	No
	Q266 Stress testing – Should this ComFrame material be further developed to complement supervisor's assessment of an IAIG's capital adequacy?
Answer	No.
	Q267 Economic capital model – Should the interaction between the requirement to maintain a comprehensive economic capital model and any future possible use of internal models be clarified? If yes, what are the aspects that need to be clarified?
Answer	No
	Q268 Actuarial governance and reporting – Given what is already provided in Standards 8.3 and 8.6 and the accompanying guidance on the control function and the actuarial function, should ComFrame further elaborate on governance arrangements and controls relating specifically to group-wide actuarial policy and reporting? If yes, please specify the aspects that should be further described.
Answer	No
	Q269 Others – The ICS allows for the assessment of materiality by IAIGs. For example, a specific factor or rule in the valuation calculation could be simplified if the IAIG deems that the impact of simplification would be immaterial. Should the ComFrame provide clarification on materiality criteria or should this be supervisors' discretion?
Answer	No
	Q270 Others – Should the ComFrame provide clarification on differences (if any) between the model governance for internal models used to meet regulatory requirements (ICP 17 (Capital Adequacy)) and economic capital models used for strategic planning purposes/ORSA (ICP 16)?
Answer	No
	Q271 Others – With regard to ERM for Solvency Purposes/ORSA, are there other items that should be taken into account or further clarified in ComFrame given the ongoing development of the ICS? Please elaborate.

Answer

No