3 Scope of group: perimeter of ICS calculation

Q1

Q1 Section 3 Should the IAIS further define the concept of an insurance-led financial conglomerate to give greater certainty to supervisors and IAIGs as to how the head of an IAIG will be identified in a complex conglomerate structure? If "yes", is the proposed definition a helpful start and if so what further specification is suggested?

Organisation	Jurisdiction	Role	Confidential	Answer	Answer Comments
Bermuda Monetary Authority (BMA)	Bermuda	IAIS Member	No	Yes	
China Insurance Regulatory Commission	China	IAIS Member	No	Yes	The proposed definition doesn´t cover financial conglomerates with very material insurance (e.g. insurance business that meet the asset and premium requirements for IAIGs), but has that insurance business smaller than non-insurance or non-financial business. Insurance business in such groups is essentially internationally active, and should apply ICS. We suggest change the defination to cover insurance business in such groups, for example define the Head of IAIG as the assembly of insurance business in this group.

EIOPA	EIOPA	IAIS Member	No	Yes	It is important that an international standard such as the ICS should be applied consistently by national regulators. Where different heads of the group to which the ICS is applied may be selected, this introduces distortions to competition between internationally active insurance groups and to a different degree of prudential soundness being applied by national regulators. In particular the degree to which capital supporting the insurance risks of subsidiary insurance legal entities is backed by capital (rather than funded by debt) at the level of the head of the group could vary. The current specification for the ICS is intended to apply to (a) the insurance holding company of an insurance group or (b) the financial holding company of an insurance-led financial conglomerate. The relevant current IAIS definitions are (see glossary): Insurance-led financial conglomerate — a financial conglomerate in which the identified head of the insurance group is also the head of the financial conglomerate Insurance Group — two or more legal entities, at least one of which is an insurance legal entity, where one has control over one or more insurance legal entities and possibly other non-regulated legal entities, and whose primary business is insurance Financial conglomerate — two or more legal entities, at least one of which is an insurance legal entity and one a regulated entity in the field of securities or banking, where one has control over one or more insurance legal entities or one or more regulated entities in the field of securities or banking and possibly other non-regulated legal entities, whose exclusive or predominant activities consist of providing significant services in at least two different financial sectors (banking, securities, insurance). Head of the financial conglomerate — the legal entity that controls the financial conglomerate. Head of the insurance group — the legal entity that controls the insurance group. So, whilst a financial conglomerate must be predominantly engaged in financial activities (rather than non-financial activities) the head of the

					financial conglomerate could be an entity which controls the financial conglomerate but also other non-financial activities which are more significant. Similarly, the head of an insurance group could be an entity whose primary business is not insurance even if the insurance group's business is primarily insurance. Entities nearer the ultimate parent of a group could be said to exert more control over insurance subsidiaries even though their interests extend to activities outside of insurance. This leads to uncertainty as to whether the ICS should be applied to consolidated data at the level of: • A bank which owns an insurance sub-group (or only the insurance sub-group) • Two or more insurance sub-groups separately where both are owned by a predominantly non-financial group (or to the head of the non-financial group) • A holding company controlling both insurance sub-groups and banking sub-groups where the banking business is larger than the insurance business. The proposed definition in the ICS consultation document is therefore a helpful start in introducing the necessary degree of consistency in applying the ICS. However, it should be further developed to include clarity on: • whether the head of an insurance group or head of a financial conglomerate must be part of the insurance group or financial conglomerate respectively; • what is meant by a group whose 'primary business is insurance'; and • what is meant by a group whose 'predominant activities consist of providing significant services in at least two different financial sectors (banking, securities, insurance). With this added level of precision, the IAIS would provide for enhanced clarity as to the scope of supervisory powers expected of supervisors of internationally active insurance groups at the head of the group, not just

					the level of application of a group capital standard. If the ICS is not applied to the head of an insurance group because the primary business is not insurance, then the IAIS should address the question of what should be expected of the head of this insurance group regarding group supervision (for instance if and how supervision of intra-group transactions or intra-group positions should apply). If the ICS is not applied at the level of a financial conglomerate which includes significant banking activities, then the IAIS should address the question of what should be expected of the banking supervisor to ensure that the ICS requirement applied to an insurance sub-group of that conglomerate is taken into account (rather than the solo requirements of insurers in the group under national legislation).
BaFin	Germany	IAIS Member	No	Yes	It is important that an international standard such as the ICS is applied consistently by national regulators. Where different heads of the group to which the ICS is applied may be selected, this introduces distortions to competition between internationally active insurance groups and to a different degree of prudential soundness being applied by national regulators. In particular, the degree to which capital supporting the insurance risks of subsidiary insurance legal entities is backed by capital (rather than funded by debt) at the level of the head of the group could vary.
Financial Supervisory Service	Korea	IAIS Member	No	No	
KNF - Polish Financial Supervision Authority	Poland	IAIS Member	No	No	

National Association of Insurance Commissioners	USA	IAIS Member	No	No	It is unclear at this point if there is a problem with the current approach reflected in ICP 23 where the group-wide supervisor, in cooperation and coordination with other involved supervisors, determines the scope of insurance supervision. While ICP 23 seems sufficient for group supervisors to use in practice, the IAIS should seek further input from field testing to assess the need for further defining this concept.
Property Casualty Insurers Association of America (PCI)	Other	No	No	No	No. ICP 23 provides an appropriate mechanism to determine the scope of an insurance group, and there is no need to change it in order to define the scope of an IAIG. The discretion of the group-wide supervisor, in coordination and cooperation with the other members of the supervisory college, to alter the scope should provide sufficient flexibility for one-off situations.
Canadian Institute of Actuaries	Canada	Other	No	Yes	We understand and agree that the specific definition may affect only a minority of IAIGs. We do not think as a result that it is any less important to have a clear definition. The proposed definition is a helpful start. Further clarity on how a business' weight is to be determined would be helpful, understanding that any single metric is likely to have flaws. For example, assets under management (AUM) can be a poor indicator because not all businesses are asset intensive; recent historical profits can be a poor indicator if a given business has had a bad streak in recent years, etc. Also what happens if the criteria are met one year, but not the following year, or vice-versa?
Insurance Bureau of Canada	Canada	Other	No	Yes	Paragraph 56 of the 2016 Consultation Document notes that the concept of insurance-led financial conglomerate referenced in Insurance Core Principle (ICP) 23 Group-wide Supervision has not been defined by the IAIS. While the ICPs are general in nature and intended to be implemented in a wide variety of contexts, the ICS aims to achieve a greater degree of certainty than the ICPs. To that end, we believe that the IAIS should further

					define the concept of insurance-led financial conglomerate to facilitate group-wide supervision. The proposed definition of insurance-led financial conglomerate as one where "the insurance business controlled outweighs the non-insurance financial business and where the financial business outweighs the non-financial business" is a useful start. We believe that the head of the insurance group should be the entity within the corporate structure that exercises the greatest control over the insurance business.
Ping An Insurance (Group) Company of China Ltd.	China	Other	No	Yes	We suggest that the concept of an insurance-led financial conglomerate should be defined by the local regulators by taking into consideration the development stage of the local financial market and insurance business profile within the Group. Local regulators should specify the level at which the insurance business should be determined as significant to be an IAIG.
EIOPA Insurance & Reinsurance Stakeholder Group	EU	Other	No	Yes	
AMICE, Association of Mutuals and CooperativesinEurope/ICMIF,International Cooperative and Mutual Insurance Federation.	Europe	Other	No	Yes	In Europe, legislation exists with respect to the definition of "financial conglomerates" (Directive 2002/87/EC). In this directive some articles are also included regarding the definition of the most dominant sector: For the purposes of determining whether activities in different financial sectors are significant within the meaning of Article 2(14)(e), for each financial sector the average of the ratio of the balance sheet total of that financial sector to the balance sheet total of the financial sector entities in the group and the ratio of the solvency requirements of the same financial sector to the total solvency requirements of the financial sector entities in the group should exceed 10 %. For the purposes of this Directive, the smallest financial sector in a

					financial conglomerate is the sector with the smallest average and the most important financial sector in a financial conglomerate is the sector with the highest average. For the purposes of calculating the average and for the measurement of the smallest and the most important financial sectors, the banking sector and the investment services sector shall be considered together. The IAIS should use these parameters.
Insurance Europe	Europe	Other	No	Yes	Insurance Europe supports the initiative to define the concept of an insurance-led financial conglomerate and it proposes the following elements for the definition: 1) An insurance-led financial conglomerate means a financial conglomerate that the most important financial sector of which is insurance. 2) In order to determine the most important financial sector the following steps are needed: 2.1 For each financial sector one should calculate the average of: • the ratio of the balance sheet total of that financial sector to the balance sheet total of the financial sector entities in the group and; • the ratio of the solvency requirements of the same financial sector to the total solvency requirements of the financial sector entities in the group. 2.2 The most important financial sector in a financial conglomerate is the sector with the highest average. 2.3 For the purposes of calculating the average, the banking sector and the investment services sector shall be considered together.
Actuarial Association of Europe	European Union	Other	No	Yes	We agree that the proposed definition is a helpful start.

Institut des Actuaires	France	Other	No	Yes	Starting point is consolidated group balance sheet. Provide additional criteria to identify insurance groups.
Allianz	Germany	Other	No	No	
Coburg University of Applied Sciences (Hochschule für angewandteWissenschaften Coburg)	Germany	Other	No	Yes	The concept of an insurance-led financial conglomerate should be defined in a clear manner to ensure that groups can assess whether they will be considered as an insurance-led financial conglomerate and whether not. The classification as an insurance-led financial conglomerate for the purpose of ICS calculations should not depend on supervisory discretion. It is necessary to have a level playing field starting from the scope of the groups. The suggested definition is a starting point. However, it has to be clarified what is meant be “outweighs”. Measures could be based on the (consolidated) balance sheets, although the dominance of a sector for supervisory purpose should be assessed on the risk which the different sectors contribute to the overall risk. But between insurance and banking there are no comparable supervisory risk measure (capital requirements). The identification of an insurance-led financial conglomerate should take into account the legal structure of the group and the type of group. The types of groups can differ: For example, an (re)insurance undertaking at the top of group supports the identification. Whereas, if a (mixed) holding company (with bank and insurance subsidiaries) could suggest that the group is not an insurance-led financial conglomerate.
GDV - Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Other	No	No	

Global Federation of Insurance Associations	Global	Other	No	Yes	GFIA supports efforts to define an insurance-led financial conglomerate. The IAIS should further define the concept to insurance-led financial conglomerate in order to facilitate group-wide supervision and the proposed definition is a good starting point. We suggest that the head of the insurance group should be the entity within the corporate structure that exercises the greatest control over the insurance business, and the scope of group should remain limited to top insurance and finance holding companies.
International Actuarial Association	International	Other	No	Yes	The IAA believes that a single clear definition of the head of an insurance group (HoIG) which serves the ICP's, Comframe and ICS together is very important for group-wide risk, capital management and supervision. The IAA believes this to be in the best interests of policyholders, shareholders and supervisors. But, the ICS is only one aspect of the supervisory tools used in group-wide supervision. Lack of a common approach across the integrated IAIS standards will result in ambiguity, varying practices among groups and supervisors and hence lead to supervisory inefficiency, regulatory arbitrage and an undermining of the ICS goals. The outstanding concepts needed here are: 1. The ICS CD appears to focus only on insurance-led financial conglomerates and does not appear to deal with all IAIG structures such as those which have non-insurance entities as the HoIG. Avoiding this real-life situation may incent large insurance businesses to re-structure themselves (through the addition of non-insurance entities as holdcos) to avoid IAIG or GSII status. The IAA notes that neither the current ICP nor Comframe language defines the HoIG. 2. Identification of the HoIG is important to insurance groups as it is the highest entity in the conglomerate/group structure to exercise control over the insurance entities throughout the group. As such, the HoIG would be expected to carry out risk and capital management as well as control functions (such as the actuarial function) across the group. It would be

					expected that the HoIG would exercise good governance across the group by (in part) ensuring that adequate risk management, capital and controls are in place in each entity of the group as well as across the group. Specifically, as one example of good governance practices, it would be expected that the HoIG would manage the quantum of capital maintained across the group as well as its placement throughout the group entities. The IAA recognizes that groups should be able to structure their operations and business functions as they see fit. For example, an HoIG need not have an AF of its own but should be able to access such expertise as needed in operating the insurance group. Identification of the HoIG is also important to supervisors as it greatly facilitates effective and efficient group-wide supervision by all involved supervisors. Once identified, involved supervisors can select from their midst the group-wide supervisor who will be the main contact with the group and the HoIG specifically. 3. The IAA recognizes that arriving at a clear definition of an HoIG (for all insurance groups including IAG's) has been difficult for the IAIS to achieve. IAA also believes that, even in attempting to define an HoIG, we prefer/recommend a principles-based approach that avoids artificial limits on organizational design and organizes its requirements around the common business activities across those designs. Proper determination of the scope of the group is also vital to ensure that all key risks to which the insurance entities are subject are considered by the insurance group and involved supervisors. The concepts included in ICP 23 are helpful in this regard in their reference (for example) to the legal entities that are part of the insurance group (ie ICP 23.1) as well as the need for the group-wide supervisor, in cooperation and coordination with other involved supervisors, to determine the scope of group-wide supervision. 4. One concept which the IAA believes is absent from ICP 23 (and perhaps elsewhere in the ICP's as well) is that group-wide supervision (and hence the ICS as a key component) considers all key risks to the group and the

					insurance entities within the group. ICP 23.2.2 (guidance only) hints at this need but is not as specific. Important risks to insurance entities arise not only from within their own operations but also from other entities within the group (including the HoIG) with which they have various forms of linkages. In the public interest of providing a constructive alternative for the definition of an HoIG, the IAA suggests that an HoIG be defined as, The entity (insurance or otherwise) which owns/controls the insurance entities of the group. If that controlling entity is itself owned or controlled by an upstream entity which exercises significant control or influence over the business of the insurance entities (other than third party investment) then it may be considered to be the HoIG. Further, if that upstream entity owns/controls other insurance entities (directly or indirectly) for which there are linkages through to the insurance entities elsewhere in the group, then that upstream entity should be considered to be the HoIG. For these reasons the IAA believes that the concept of HoIG requires better definition as it is important not only for purposes of the ICS but also for broader group governance and group supervision. The ICS proposal for a definition applicable for ICS purposes only is too narrowly focused. The IAA supports the on-going work of the IGWG to find core fixes in the ICP's and Comframe with respect to group-wide supervision. With this introduction to Q1, the IAA suggests to the IAIS that no further effort is necessary or helpful in the definition of an insurance-led financial conglomerate. Instead, effort should be focused on the broader issue of HoIG definition.
General Insurance Association of Japan	Japan	Other	No	Yes	Provided that a definition for an IAIG exists, we think that a simple principle-based definition such as "a consolidated group whose scope meets the criteria to identify an IAIG" would be appropriate. We do not think that a rule-based prescriptive definition is necessary.

Korean Reinsurance	Korea	Other	No	Yes	
Great Eastern Holdings Ltd	Singapore	Other	No	No	
Swiss Re	Switzerland	Other	No	Yes	The proposed definition is a helpful start. The specifications should outline more precisely under which condition should non-insurance elements of the group be consolidated as part of the insurance-led financial conglomerate.
Aegon NV	The Netherlands	Other	No	Yes	Aegon believes it should be clarified that for insurance-led conglomerates the ICS should be the exclusive framework at a consolidated level covering all businesses within the conglomerate. As part of this, other sectoral frameworks should only be applied to the relevant parts of the groups (for instance, sub-consolidated banking supervision at the level of the banking subsidiary in the group) for which sectoral rules are more appropriate. This would ensure there is no overlap and/or conflicting approaches to the supervision of insurance-led conglomerates.
Institute and Faculty of Actuaries	UK	Other	No	Yes	
Association of British Insurers	United Kingdom	Other	No	Yes	The proposed definition is a helpful start. We suggest that the specifications should set out more precisely under which condition non-insurance elements of the group should be consolidated as part of the insurance-led financial conglomerate. The IAIG should be defined at the level of the holding company liable for honouring the insurance liabilities of the group.

National Association of Mutual Insurance Companies	United States	Other	No	Yes	Yes. NAMIC believes the current guidance found in ICP 23, Group Supervision, provides accurate parameters in the identification of the insurance group, including the head of the insurance group. It does so by balancing the need for information with the potential materiality of entities outside of the financial/insurance group to the risk of the insurance group. Corporate structures are based on a group's capital and tax considerations at the time a legal entity is established, acquired or merged into a group. The ICPs and ComFrame must be effective without discouraging innovation and must be efficient without significantly restricting the health of the insurance sector. NAMIC asserts that ICP 23 meets this mandate as currently drafted but additional guidance reinforcing this intent could be useful. The definition provided does help to provide additional guidance for interpretation of ICP 23. Most important is the continued limitation of the definition to insurance/financial groups and those segments within larger conglomerates. Unless there is an ownership, risk or contractual connection between the unrelated subsidiaries with the conglomerate there should be no inclusion of these portions of the conglomerate in the scope of the group. For more information, see answer to question 2.
RAA	United States and many other jurisdicitons	Other	No	Yes	The ICS guidance should closely follow the definition of insurance conglomerate in ICP 23, which defines the head of the group as the highest entity into which all insurance entities report, but should also recognize that the complexity of the insurance group structures may make it appropriate to define the group below the top holding company based on the entity exercising the greatest control over the insurance business of the conglomerate. The discussion in the consultation is less than clear in this regard as it refers to all entities that may be a potential source of risk (¶58) and requires that the entities would have no financial or reputational effect on the group (¶62). These concepts ignore both materiality and proportionality and potentially would broaden the scope of the group beyond the top insurance and finance holding companies as more clearly defined in ICP 23. The result would be a waste of scarce supervisory

					resources on entities within a group that present a non-material level of risk to the insurance group.
American Insurance Association	United States of America	Other	No	Yes	The Scope Of The Group Should Be Defined To Encompass Only The Insurance And Insurance-Related Entities Within The ICS Perimeter. The ICS Consultation poses four questions that go to the appropriate parameters of the “group” that would be subject to the ICS calculation. The Consultation refers to an “insurance-led financial conglomerate,” but that term is neither defined nor explained. More importantly, if the financial or insurance holding company of an IAIG or insurance-led financial conglomerate does not prepare a consolidated balance sheet, it appears that such an entity would not be contemplated by the scope of group calculation. So, while we can agree with the concept of isolating the ICS calculation on insurance and insurance-related entities in an IAIG, the terms used by the IAIS are not sufficiently transparent or well-defined. As the ICS is specific to the insurance activities of an IAIG, the development of this standard should focus on those entities within the group that are engaged in the “business of insurance.” For diversified IAIGs that include entities that engage in non-insurance financial activities, presumably those entities and activities are subject to appropriate capital standards that reflect their non-insurance financial business (and can be “aggregated” with the ICS to develop an overall group capital standard for the diversified IAIG). Such non-insurance appropriate capital standards must be considered to support non-insurance obligations of diversified IAIGs. More importantly, the role of the ICS is to evaluate the capital requirement for the insurance activities of an IAIG, and therefore should be different than that of the Higher Loss Absorbency (HLA) requirements for G-SIIs. Therefore, the standard should not include a capital surcharge for systemically risky activities that impair financial stability.

					Our views expressed here are consistent with our comments on the Federal Reserve's capital treatment of insurance and insurance-related entities for purposes of its group capital approach for prudentially-supervised insurance thrifts and insurance SIFIs. In that submission, we noted that: "it is critical to classify… entities based on their activities and relationship to other functionally regulated companies within the group. For regulated insurance companies and entities that operate on behalf of or for the benefit of an insurance company ("insurance-related" entities), the appropriate scalar-compatible insurance capital standard should be used. For insured depository institutions, the federal bank capital standard should prevail. With respect to "non-insurance, non-bank" entities that are also not insurance-related entities, the Federal Reserve would need to determine the appropriate capital charge. [In developing a workable approach to capital treatment], [i]t will be important to maintain a clear definitional distinction between 'non-insurance, non-bank' entities and otherwise unregulated entities that support or are related to insurance firms so that an inappropriate capital charge is not applied to insurance-servicing entities." F/N 1. AIA recommends that the IAIS consider a similar construct in developing the ICS. Equally important, if the IAIS has not contemplated it, there should also be a component of the scope of group analysis that includes materiality and exclusion tests so that insignificant entities can be carved out of the ICS calculation where appropriate. F/N 2. F/N 1: AIA Comments in Response to the Federal Reserve Board Advance Notice of Proposed Rulemaking on Capital Requirements for Supervised Institutions Significantly Engaged in Insurance Activities (Docket No. R-1539 & RIN 7100 AE 53) (September 16, 2016), at p. 17.

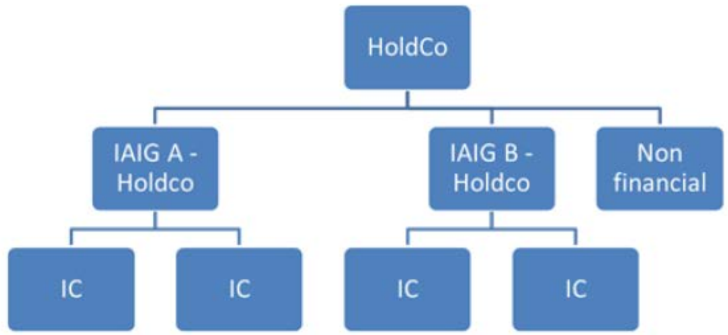
					F/N 2: Id. (suggesting an "immateriality" definition and an exclusion threshold based on aggregated assets/revenues).
Prudential Financial, Inc.	United States of America	Other	No	Yes	A lack of clarity of the perimeter of the ICS calculation could give rise to capital arbitrage opportunities and thereby an unlevel playing field which would be inconsistent with ICS principle 1. The proposed definition is a start but would benefit from greater specificity on the unit(s) of measure for determining level of control and if one activity outweighs another. Different measures should be evaluated through Field Testing to assess strengths / weaknesses which will likely vary depending on the nature of the business.
CNA	USA	Other	No	No	No, CNA believes the current guidance found in ICP 23, Group Supervision, provides sufficient parameters in the identification of the insurance group, including the head of the insurance group. It does so by striking the appropriate balance by providing informative and detailed (through the illustrative examples) methodology for insurance group determination, without suggesting prescriptiveness by providing "appropriate structures," which could impede the flow of capital into the traditional insurance market resulting in capacity constraints. In practice, it is highly unlikely that two separate insurance groups would be identically structured (either within the insurance group itself or within the wider financial conglomerate group). Corporate structures typically are the result of a group's capital and tax considerations at the time a legal entity is established, acquired or merged into a group. Proscribed structures that do not accommodate these considerations could negatively affect insurance operations. Accordingly, CNA believes that in order for the ICP's and ComFrame to be effective without discouraging capital market innovation and efficiency, guidance must be informative without being restrictive, thereby precluding supervisory discretion to address unique situations not currently in practice. Our position is that ICP 23 meets this mandate as currently drafted.

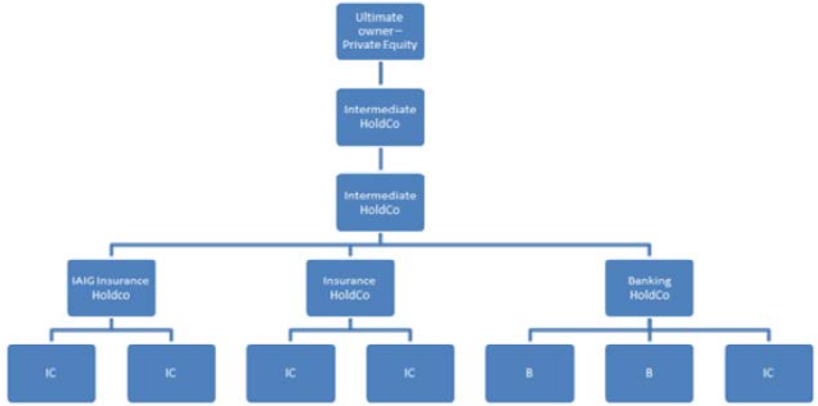
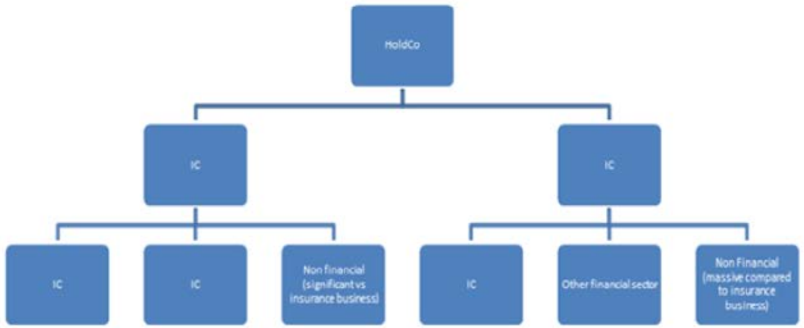
MassMutual Financial Group	USA	Other	No	No	

Q2

Q2 Section 3 Are there any instances of groups likely to be identified as IAIGs where it is likely supervisory judgement will need to be exercised in determining the level at which the group consolidated balance sheet should be prepared for ICS purposes? If "yes", what is the nature of the uncertainty in identifying the Head of the IAIG?

Organisation	**Jurisdiction**	**Role**	**Confidential**	**Answer**	**Answer Comments**
China Insurance Regulatory Commission	China	IAIS Member	No	Yes	For non-insurance-led groups with material insurance business that meet the IAIG criteria, as we referred to in Q1, ICS should be applied but the head of IAIG can be difficult to define, and the supervisory judgement may be required. Unfortunately we don´t have any real examples in this case. In addition, financial conglomerates around the world can be signfinciantly different in terms of governance structures, and sometimes the structure and real business may not be entirely consistent, in these cases supervisory judgements should be required.
EIOPA	EIOPA	IAIS Member	No	Yes	We believe that a number of IAIGs employ less than straightforward group structures for a variety of reasons including historical circumstances around the group establishment, core market(s), acquisitions, disinvestment, group management strategies. Some of the structures presented below aim to capture some of the structures we believe would trigger use of supervisory discretion when determining the scope of the IAIG.

					Figure 1:  (Question to be addressed: how many IAIG's should be identified in the group structure above?) Figure 2:

					-  (Question to be addressed: Which of the holding companies identified above should be identified as the Head of the IAIG?) Figure 3: 

					Question to be addressed: treatment of the significant / very significant non-financial business owned by insurance groups when determining the scope of the IAIG). The IAIS should undertake further work to clarify how cases where the group structures are excessively complicated, such that it impedes effective supervision of the group, should be dealt with.
BaFin	Germany	IAIS Member	No	Yes	E. G. in cases of mutual companies where the undertakings which belong to a group do not hold shares under each other. The IAIS should undertake further work to clarify how cases where the group structures are excessively complicated, such that it impedes effective supervision of the group, should be dealt with.
Financial Supervisory Service	Korea	IAIS Member	No	No	
KNF - Polish Financial Supervision Authority	Poland	IAIS Member	No	No	
National Association of Insurance Commissioners	USA	IAIS Member	No	Yes	
Canadian Institute of Actuaries	Canada	Other	No	Yes	We can't provide an example, but simply based on the number of potential IAIGs and jurisdictions involved, and the fact that IAIGs tend to have more complex organizational structures than smaller insurance groups, it's likely that judgement will be needed in some instances.

Ping An Insurance (Group) Company of China Ltd.	China	Other	No	Yes	Same as Q1. We suggest the local regulators make the judgement according to the group's insurance business profile.
AMICE, Association of Mutuals and CooperativesinEurope/ICMIF,International Cooperative and Mutual Insurance Federation.	Europe	Other	No	Yes	There could be situations where judgement is needed but this is dependent on the definition of groups (according to legal, economic, risk, accounting or other perspectives). The IAIS should also consider the impact of joint operations on the extent whether entities are part of a group (for example operations like joint use of datacentres). Market expectations considering those links should be factored in for prudential purposes. The interconnectedness on a day-to-day basis should also be considered for prudential purposes. A problem of definition could arise within an insurance related only group. This is linked to whether or not several definitions of groups exist for different purposes: image or utility (commercial, sharing of support functions…), accounting, prudential.
Actuarial Association of Europe	European Union	Other	No	Yes	One instance would be where there is a substantial financial services business (e.g. banking) in addition to the insurance business.
Institut des Actuaires	France	Other	No	No	
Allianz	Germany	Other	No	No	
Coburg University of Applied Sciences (Hochschule für angewandteWissenschaften Coburg)	Germany	Other	No	Yes	Challenges could be posed by so called horizontal groups with undertakings at the top of the group or at intermediate level without capital ties, but the same people in the board. This is often the case where mutuals form a group.

GDV - Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Other	No	Yes	The head of the IAIG responsible to comply with the ICS requirements depends on the unrestricted transfer of necessary information from the legal entities included in the scope of the group. However, the ultimate parent undertaking does not always have the means to enforce the transfer of information due to limitations imposed by company law, for instance the lack of a control agreement between the parent undertaking and its subsidiaries.
International Actuarial Association	International	Other	No	Yes	The IAA notes that there may currently be relatively few instances of IAIG's in which it may have been difficult to determine the level of the HoIG in the organizational structure of the group (i.e. due to several layers of holdcos). However, as these IAIG's may also represent some of the biggest groups globally, for purposes of demonstrating coordinated control over insurance entity risks it would be prudent practice for IAIG's to self-identify their HoIG. This choice would of course need to be reviewed by involved supervisors. The IAA suggests that our response to Q1 also provides further useful background.
Korean Reinsurance	Korea	Other	No	Yes	
Great Eastern Holdings Ltd	Singapore	Other	No	No	
Swiss Re	Switzerland	Other	No	Yes	The nature of the uncertainty involves the extent to which non-insurance elements of the group are liable to cover losses of insurance elements.
Institute and Faculty of Actuaries	UK	Other	No	Yes	An example would be a conglomerate where there is significant banking and/or asset management business in addition to insurance business.
National Association of Mutual Insurance Companies	United States	Other	No	Yes	Yes. As noted in NAMIC's response to question one, potential IAIG's are complex organizations and very often uniquely structured. NAMIC asserts that this is one of primary reasons the ICPs and ComFrame should be principle-based. We strongly believe reliance on prescriptive rules regarding the definition

					of the group will not serve international standards well. Local jurisdictional regulators know their own insurance groups and should be able to identify the appropriate level of application of the capital requirements. Nature of the Uncertainty: Some IAIGs will have different industrial conglomerate structures that they are part of and others will be simply insurance/financial organizations. Depending on how the conglomerate has emerged and developed there could well be differences in the inclusion of insurance entities in the structure. Regardless of the structure only the insurance/financial organizations within the conglomerate should be considered unless there are guarantees, contracts, obligations, services provided, ownership, risk transfers or other direct financial reliance between the insurance/financial group and other non-insurance, non-financial entities in the conglomerate.
RAA	United States and many other jurisdicitons	Other	No	No	Ideally, the ICS should follow the definition in ICP 23, which defines the head of the insurance group as the highest entity into which all insurance entities report. Given the broad diversity in the structure and nature of insurance dominated financial conglomerates, we recognize that situations may arise where some supervisory judgment is required. This should be minimized by both closely adhering to the guidance of ICP 23 and by minimizing the frequency and scope of the judgment involved. This will provide the necessary clarity for both supervisors and potential GSII's as to both the scope of the group and the head of the group for ICS purposes.
CNA	USA	Other	No	Yes	Yes. As emphasized in our response to question one, IAIG's are complex organizations by definition and rarely will there be a situation where two IAIG's are structured exactly the same. CNA believes this is precisely why the ICS general guidance and, more specifically, the ComFrame component of the same, must be principle-based. That approach provides the group supervisor the latitude to use professional judgment in the determination of the scope of the insurance group and explicitly directs that such decisions be made on a "case-

					by-case basis”. We strongly believe reliance on prescriptive rules regarding this issue will not enhance comparability but could lead to economically unprofitable corporate structures making insurance an unattractive investment opportunity that directly impacts capacity and pricing.
MassMutual Financial Group	USA	Other	No	No	

Q2.1

Q2.1 Section 3 If “yes” to Q2, is this uncertainty related to the insurance group or financial conglomerate forming part of a wider group? If “yes”, please describe concerns with identifying the correct Head of the IAIG.

Organisation	Jurisdiction	Role	Confidential	Answer	Answer Comments
China Insurance Regulatory Commission	China	IAIS Member	No	Yes	For non-insurance-led groups with material insurance business that meet the IAIG criteria, as we referred to in Q1, ICS should be applied but the head of IAIG can be difficult to define, and the supervisory judgement may be required. Unfortunately we don´t have any real examples in this case. In addition, financial conglomerates around the world can be signficiantly different in terms of governance structures, and sometimes the structure and real business may not be entirely consistent, in these cases supervisory judgements should be required.
BaFin	Germany	IAIS Member	No	Yes	In cases of mutual companies it is not always easy to define which company is the head of the group. In such groups, it is usually not the case that one company has control over the others.
Financial Supervisory Service	Korea	IAIS Member	No	No	

National Association of Insurance Commissioners	USA	IAIS Member	No	Yes	The uncertainty could be related to the insurance group or financial conglomerate forming part of a wider group. The use of supervisory judgment seems appropriate in cases where some segments (entities) of the group may be remotely attached to the insurance operations or in cases where their inclusion in the group makes little practical sense.
Ping An Insurance (Group) Company of China Ltd.	China	Other	No	Yes	As the organizational structure and business focuses are quite different for each financial institution, it is difficult to identify the Head of an IAIG. Therefore, we suggest the local regulators make the judgement according to the current situation of the group's insurance business profile.
AMICE, Association of Mutuals and CooperativesinEurope/ICMIF,International Cooperative and Mutual Insurance Federation.	Europe	Other	No	No	
Insurance Europe	Europe	Other	No	No	
Coburg University of Applied Sciences (Hochschule für angewandteWissenschaften Coburg)	Germany	Other	No	No	
GDV - Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Other	No	No	
International Actuarial Association	International	Other	No	Yes	As noted earlier, the IAA advocates for the comparable assessment and provisioning for the risks (e.g. via risk management, valuation of assets and liabilities, capital requirements etc) of insurance entities no matter where they are positioned within an IAIG. From a risk management perspective

					(and also for receiving appropriate actuarial function advice), the entity which controls all the insurance group(s) within the conglomerate should be the HoIG. The IAA recommends that the HoIG satisfy itself that it has sufficient access to actuarial function advice.
Great Eastern Holdings Ltd	Singapore	Other	No	No	
Swiss Re	Switzerland	Other	No	Yes	See the response above.
Association of British Insurers	United Kingdom	Other	No	Yes	The uncertainty relates to the extent to which non-insurance entities should be consolidated into the insurance-led financial conglomerate.
National Association of Mutual Insurance Companies	United States	Other	No	Yes	Yes. It can be related to both the insurance/financial group and the conglomerate. NAMIC supports a designation process that includes an understanding of the structure and results in an appropriate determination of the head of the insurance/financial group, but understanding there may be a need for some discretion for supervisors. NAMIC would not support the use of discretion to include as IAIGs entities that do not meet the basic definition of IAIGs, but in designating the head of the group discretion may be useful. In the U.S. insurance legal entities are insulated corporate structures where capital and risk flows are highly governed by jurisdictional insurance legislation and case law. Risks enter an insurance entity through a contractual obligation typically created through an insurance contract, financial guarantee or capital maintenance agreement. Without such a contractual arrangement insurance entities cannot be obligated to assume a risk. Since the ICS is a capital assessment intended to determine if an insurance group can meet its

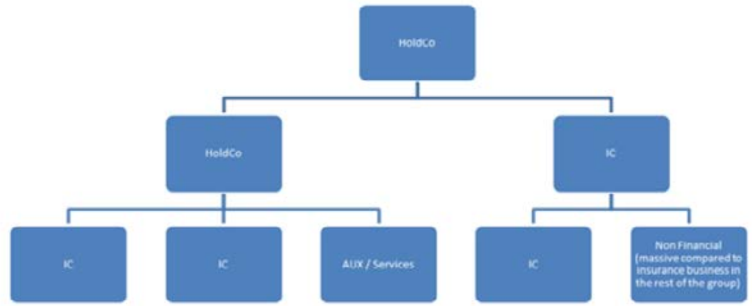
					policyholder obligations during period of stress, we believe broadening the group supervisors' purview to include entities that do not pose risks to the insurance organization being supervised is not only inefficient but would result in false outcomes if insurance supervisors attempt to direct activities that are outside their area of expertise and outside of their supervisory authority.
CNA	USA	Other	No	Yes	Both. While CNA is of course in favor of ensuring the appropriate determination of the head of both such groups, we believe setting rigid rules or guidelines could actually tie the group supervisors' hands in a way that could result in an inappropriate determination being made. From our perspective, insurance legal entities are insulated corporate structures where capital and risk flows are highly governed by jurisdictional insurance legislation and case law. Risks enter an insurance entity through a contractual obligation typically created through an insurance contract, financial guarantee or capital maintenance agreement. Without such a contractual arrangement, insurance entities cannot be obligated to assume a risk. Since the ICS is a capital assessment intended to determine if, during periods of stress, an insurance group can meet its policyholder obligations and continue as a going concern, we believe broadening the group supervisors purview to include entities that do not pose risks to the insurance organization being supervised is not only inefficient but would result in false outcomes as insurance supervisors opine on activities that are outside their area of expertise. Based on the foregoing, CNA believes the concepts stated in ICP 23 are sufficient and don't require further modification. We strongly support the concept of "case-by-case" determinations that "may include discussion with the insurance group" and believe that

					should continue to be the basis for group supervisors' to approach judgment calls.
MassMutual Financial Group	USA	Other	No	No	

Q3

Q3 Section 3 Given the description of entities to be included in the consolidation for ICS purposes, are there uncertainties as to material entities that should be included within the perimeter of the ICS calculation? If "yes", for which types of entities are supervisors and IAIGs most likely to benefit from greater specification of the scope of the group?

Organisation	Jurisdiction	Role	Confidential	Answer	Answer Comments
EIOPA	EIOPA	IAIS Member	No	Yes	We believe there is at least one case where greater specification on the scope of the group would be needed. In our understanding, all entities that sit beneath the Head of an insurance led conglomerate need to be consolidated for the purposes of ICS calculation. The Group wide supervisor may exclude non-financial entities subject to a number of conditions listed in paragraphs 61 and 62 of the Consultation Paper. EIOPA believes that the cases for exclusion should be limited to the following three situations: a) entity is established in jurisdiction where there are legal impediments to transfer necessary information, b) entity is of negligible interest for the objectives of group supervision or c) the inclusion of the entity in the scope of group supervision would be inappropriate or misleading with respect to the objectives of group supervision. In EIOPA's view, the IAIS criteria seem too broad as they allow for the exclusion of any non-financial entities if the IAIG can establish that they do not contribute to the total group risks. Under this broad interpretation, particularly when reading section 63 of the consultation paper, the IAIGs non-financial business could be excluded and this is not in line with what our understanding of what constitutes perimeter of ICS calculation. This is an area of uncertainty that should be further explored by IAIS.

					
Financial Supervisory Service	Korea	IAIS Member	No	No	
KNF - Polish Financial Supervision Authority	Poland	IAIS Member	No	No	
Ageas	Belgium	Other	No	No	
Ping An Insurance (Group) Company of China Ltd.	China	Other	No	Yes	Please refer to Q2. As operations are quite different among groups, there are uncertainties as to whether an entity should be included in the consolidation and such judgement should be made based on the business nature. As a result, we suggest it should be judged by the local regulators based on the group's insurance business profile.
AMICE, Association of Mutuals and CooperativesinEurope/ICMIF,International	Europe	Other	No	No	

Cooperative and Mutual Insurance Federation.					
Institut des Actuaires	France	Other	No	Yes	What is the critical size threshold to which the standard applies – how do medium size groups fall into scope. Is there a proportionality principle that can be applied to small subsidiaries or an alternative simplified method or default treatment.
Allianz	Germany	Other	No	No	
Coburg University of Applied Sciences (Hochschule für angewandteWissenschaften Coburg)	Germany	Other	No	Yes	In some cases the inclusion of entities could be misleading. For example, if a subsidiary is intended to be sold (M & A transaction).
GDV - Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Other	No	Yes	We support that individual entities whose risk exposure to the group is negligible may be excluded from consolidation for ICS purposes. However, negligibility of risks only constitutes one possible reason for excluding individual entities. Other reasons are possible and should be considered, for instance, the inclusion of the individual entity would be inappropriate or misleading or there are legal impediments to the transfer of the necessary information.
Global Federation of Insurance Associations	Global	Other	No	Yes	GFIA supports the language in paragraph 62 regarding the exclusion of non-financial entities from the group, if the last sentence is amended to exclude entities whose financial distress or bankruptcy would have no material financial or reputational effect on the financial entities, holding companies or ultimate holding company of the group.
International Actuarial Association	International	Other	No	Yes	The IAA does not advocate for addition of further entities into the perimeter of the ICS calculation. However, the IAA does advocate for the

					consideration of the risks arising from linkages between entities in the group, with the HoIG and outside of the group.
Great Eastern Holdings Ltd	Singapore	Other	No	No	
Swiss Re	Switzerland	Other	No	No	
RAA	United States and many other jurisdicitons	Other	No	Yes	Paragraph 23.1 of ICP 23 indicates that the group wide supervisor (GWS) identifies all entities that are part of the insurance group. The ICS Consultation guidance creates additional uncertainty since it requires the IAIG to make judgments about which entities to include. A major inconsistency between this consultation and ICP 23 is that is that ICP 23 paragraph 23.2.3 excludes entities if the risks from those entities are negligible, while the ICS consultation in paragraph 62 indicates an entity may be excluded only if it would have no financial or reputational impact on the group as a whole. There should be a clearer materiality threshold to determine which entities are included in the scope of the ICS. Reputational risk, which is excluded from all other risk factors and is only addressed in this section of the consultation, should not be a factor in determining the scope of the entities included.
MassMutual Financial Group	USA	Other	No	No	

Q4

Q4 Section 3 Are there any further comments on this section on the scope of group that the IAIS should consider in the development of ICS Version 1.0? If "yes", please explain with sufficient detail and rationale.

Organisation	Jurisdiction	Role	Confidential	Answer	Answer Comments
EIOPA	EIOPA	IAIS Member	No	No	
BaFin	Germany	IAIS Member	No	Yes	We believe there is at least one case where greater specification on the scope of the group would be needed. In our understanding, all entities that sit beneath the Head of an insurance led conglomerate need to be consolidated for the purposes of ICS calculation. The Group wide supervisor may exclude non-financial entities subject to a number of conditions listed in paragraphs 61 and 62 of the Consultation Paper. In the EU regime, the cases for exclusion are limited to the following three situations: a) entity is established in jurisdiction where there are legal impediments to transfer necessary information, b) entity is of negligible interest for the objectives of group supervision or c) the inclusion of the entity in the scope of group supervision would be inappropriate or misleading with respect to the objectives of group supervision. The IAIS criteria seem to be broader than EU requirements as it allows for the exclusion of any non-financial entities if the IAIG can establish that they do not contribute to the total group risks. Under this broad interpretation, particularly when reading section 63 of the consultation paper, the IAIGs non-financial business could be excluded and this is not in line with our understanding

					of the ICS calculation. This is an area of uncertainty that should be further explored by IAIS.
Financial Supervisory Service	Korea	IAIS Member	No	No	
KNF - Polish Financial Supervision Authority	Poland	IAIS Member	No	No	
Ageas	Belgium	Other	No	Yes	We advise to keep the consolidation scope equal to IFRS reporting and Solvency II reporting, reflecting the IFRS definition of control. If a material associate is not controlled, necessary information is not available for reporting. This associate needs to be exempted from the figures similar to article 229 of the Solvency II Directive.
Ping An Insurance (Group) Company of China Ltd.	China	Other	No	Yes	Please refer to Q1. We suggest it should be judged by the local regulators based on each group's insurance business profile. In terms of the scope of consolidation in ICS, we think it should be determined by sufficiently considering the regulatory consistency rather than simply based on whether it is insurance-led. For instance, ICS should also be applied to a banking-led conglomerate if its insurance business volumes also satisfy the specific requirements.
AMICE, Association of Mutuals and CooperativesinEurope/ICMIF,International Cooperative and Mutual Insurance Federation.	Europe	Other	No	Yes	IAIS offers possibilities for exemption of related entities within ICS. Any difference in scope of consolidation between GAAP and ICS will create potential confusion and additional work and pose problems with reconciliation. In many instances this will also imply manual adjustments. Alignment of consolidation

					circles will enhance the transparency and understandability of public data, and limit the additional review work of the second and third line as well as of external auditors. In principle material entities should be included in the scope of consolidation whether for GAAP or for prudential purposes. Otherwise potential tedious reconciliation work might be generated. Prudential consolidation should be consistent with accounting consolidation and vice versa, except for non-material reasons.
Insurance Europe	Europe	Other	No	Yes	The IAIS should use the data of the 2016 FT exercise to assess the scope of groups and to ensure that the envisaged approach is applied consistently across jurisdictions. While the IAIS offers possibilities for exemption of related entities within the ICS, Insurance Europe believes that differences in scope of consolidation between GAAP and ICS can potentially create confusion, unnecessary additional work, and can pose problems for reconciliations. In many instances this will also imply manual adjustments. Insurance Europe believes that the alignment of consolidation approaches will enhance the transparency and understandability of public data, limit the additional review work of the second and third line as well as of external auditors.
Institut des Actuaires	France	Other	No	No	
Allianz	Germany	Other	No	No	

Coburg University of Applied Sciences (Hochschule für angewandteWissenschaften Coburg)	Germany	Other	No	Yes	Concepts of participation or control differ from jurisdiction to jurisdiction, from sector to sector or even from the accounting standards applied. Comparability is limited if the scope of groups differs because of these differences. In the EU for example in banking participation means 10 % of capital and in insurance 20 % of capital. There could be also some problems in the definition of a (financial) holding company, e. g. in the case there a holding company is owned by another holding company.
GDV - Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Other	No	No	
International Actuarial Association	International	Other	No	No	
Great Eastern Holdings Ltd	Singapore	Other	No	No	
Swiss Re	Switzerland	Other	No	No	
Aegon NV	The Netherlands	Other	No	Yes	Aegon believes that the definition of “non-insurance financial entities” and “non-financial entities” should be specified enough to ensure that such entities can be included in the insurance scope of the ICS if they support the general management of the insurance-led conglomerate. For instance, some group treasury activities may be placed in a separate entity from the group holding company. Such an entity, regardless of the legal structuring, should be included in the insurance component of the ICS and not necessarily need to be included (aggregated) in other components of the ICS (e.g. the banking component).

					A group standard such as the ICS should create a complete, unambiguous picture of the group and avoid taking a fragmented approach where this is not needed. The starting point should be to include all entities of the group and only apply sectoral rules to entities when such an entity clearly does not support the insurance activities (e.g. a bank entity or asset management).
Association of British Insurers	United Kingdom	Other	No	Yes	We acknowledge that the ICS is intended to be a group consolidated capital requirement focusing on the financial strength of the group as a whole, and as such, is not intended to replace local entity level requirements at a jurisdictional level. Therefore, it is important that in the development of the ICS the scope remains focused on it being a consolidated measure, and does not stray into areas already covered by local regulations. In addition, how the ICS is supposed to interact with jurisdictional group capital requirements is still unclear - until there is clarity on this issue, it is difficult to assess the impact of the ICS in practice.
CNA	USA	Other	No	Yes	Yes. CNA is concerned with the proposed ICS calibration of a 99.5% 1-year VaR confidence level, which covers a 1-in-200 year event, in consideration of the fact that the ICS is being developed as a minimum standard which may be further enhanced by jurisdictional supervisors to address local market conditions. If the IAIS maintains the minimum standard language in the ICS, CNA recommends recalibrating the ICS significantly below the 1-in-200-year event level to allow room for jurisdictional refinement.
MassMutual Financial Group	USA	Other	No	Yes	We do not have an issue with how the head of an IAIG is currently identified. That said, we would like to note that as a mutual life insurance company, the parent of the group is the

					insurance entity, owned by the policyholders. As a result of our mutual structure, the current ICS requirement to separate insurance and non-insurance activities creates some challenges since our non-insurance subsidiaries are investments of our insurance business. As the IAIS continues to refine the scope of group, we encourage further discussions to clarify how mutual companies should define their activities to ensure comparability of results.
Property Casualty Insurers Association of America (PCI)	USA	Other	No	Yes	Paragraph 62's last sentence should be amended to read, "The IAIG must be able to establish that financial stress or bankruptcy of the non-financial businesses would have no material financial effect on the financial entities, holding companies or ultimate holding company of the group." In particular the ICS should be concerned about material effect on the insurance companies in the group. A materiality requirement is essential to avoid unnecessary inclusion of non-financial entities that might waste supervisory resources better spent on the entities that do pose material risk. Factors that could be considered for determining the appropriateness of excluding non-financial affiliates could include: • Existence of corporate guarantees, intercompany indebtedness and other financial links; • Relative Importance to the ultimate holding company of the overall group based on size thresholds, such as excluding entities that account for 10% of the non-financial revenue or assets of the overall group; • Operational interdependence, including the existence of shared resources such as IT platforms, treasury operations and office facilities;

					• Materiality to the application of credit rating methodologies to the overall group rating; and • Reputational risk should only be considered to the extent that the potential reputational damage would likely have a material adverse impact on (i) the ability of the insurance group to conduct its business in the ordinary course, (ii) the group's credit rating; or (iii) its access to the capital markets.

End of Section 3