



Comparison chart between the ComFrame material published as a revised draft in September 2014¹ and the ComFrame material integrated with ICPs 8, 15 and 16

This table allows for easy comparison of the draft ComFrame text as of September 2014 in the old format and the current draft ComFrame text integrated with ICPs 8, 15 and 16, in the new format. It also provides a brief explanation of the major differences between those two versions.

2014 ComFrame text	2017 ComFrame text	Comments
ComFrame Module 2 Element 3		
ComFrame Standard M2E3-1 The IAIG has a group-wide ERM Framework that addresses all relevant and material risks at both the insurance entity and IAIG level and enables the IAIG to assess its solvency requirements.	N/A	Covered in the revised ICPs 16.1 and 16.2, which are applicable to insurance groups per paragraph 13 of the introductory text of the ICPs.
Parameter M2E3-1-1 Through its ERM Framework, the IAIG provides for: <ul style="list-style-type: none"> • determination of the IAIG’s risk appetite and risk tolerance • risk measurement and risk management • capital management • an assessment of economic and regulatory capital • the IAIG’s own risk and solvency assessment (ORSA). 	N/A	Covered in the Standards of the revised ICP 16.
Guideline M2E3-1-1-1 The IAIG may decide to set up centralised or decentralised ERM functions. Where the function is decentralised, the ERM operations should comply with the broader ERM Framework of the IAIG.	N/A	Topic of centralised and decentralised functions addressed in the October 2014 IAIS Issues Paper on “Approaches to Group Corporate Governance; Impact on Control Functions” ² and the Application Paper on

¹ <http://www.iaisweb.org/page/supervisory-material/common-framework/file/58726/revised-comframe-draft-2014>

² <https://www.iaisweb.org/page/supervisory-material/issues-papers/file/34545/issues-paper-on-approaches-to-group-corporate-governance>

<p>The IAIG should be able to demonstrate its rationale for implementing centralised or decentralised operations of the ERM Framework.</p>		<p>Group Corporate Governance³.</p>
<p>Parameter M2E3-1-2 The IAIG comprehensively documents its ERM Framework, emphasising differences that may apply to different entities within the IAIG, due to the nature, scale and complexity of the risks associated with business conducted locally.</p>	<p>CF 16.1a The group-wide supervisor requires the IAIG’s ERM framework to be as consistent as possible across its legal entities. Any differences in the ERM framework are required to be transparent and explicitly linked to the distinct nature, scale and complexity of the risks associated with business conducted locally.</p> <p>CF 8.1a The group-wide supervisor requires the IAIG to document the IAIG’s risk management system, emphasising differences that may apply to different entities within the IAIG, due to the nature, scale and complexity of the risks associated with business conducted locally.</p>	<p>Reference to documentation aspects deleted in the revised CF 16.1a.</p> <p>Documentation aspects covered in the revised CF 8.1a.</p>
<p>Guideline M2E3-1-2-1 The ERM Framework should contain written policies that include a definition and categorisation of the material risks to which the IAIG is exposed and the levels of acceptable risk; and taking into account relevant local business risks as well as group-wide risks.</p> <p>The documentation should include explanations of why certain approaches or assumptions may not apply to each and every entity within the IAIG.</p>	<p>CF 8.1a.1 The documentation should include explanations of the respective approaches to, or assumptions of, risk management applied across the IAIG and the rationale as to the risk appetite for different individual entities within the IAIG.</p>	<p>Combined Guideline M2E3-1-2-1 and Guideline M2E3-1-6-1.</p>

³ <https://www.iaisweb.org/page/supervisory-material/application-papers>

<p>Guideline M2E3-1-2-2 The IAIG’s ERM Framework should facilitate communication of its risk appetite and tolerance, and approach to risk management, within the IAIG and externally.</p>	<p>CF 16.4a The group-wide supervisor requires the IAIG’s ERM framework to facilitate communication of its risk appetite within the IAIG and externally.</p>	<p>Guidance in the 2014 version elevated to the Standard level because of the importance of this issue in the context of cross-border nature of the IAIGs.</p> <p>Covered also by new guidance ICP 8.1.14, concerning risk management policies and risk appetite, as regards external communication.</p>
<p>Parameter M2E3-1-3 The IAIG’s ERM Framework reflects changes in the IAIG’s business strategy and emerging risks. It takes account of all material changes at an entity level that may have an impact on how the IAIG measures and mitigates risk at a group level. Such internal and external changes will affect the IAIG’s risk profile.</p>	<p>CF 8.1c The group-wide supervisor requires the Head of the IAIG to review annually the risk management system to ensure that emerging risks are taken into account, as well as any changes in the IAIG’s structure and/or business strategy, and necessary modifications and improvements are identified and made in a timely manner.</p>	<p>The reference to changes in the IAIG’s structure and/or business strategy added to existing ComFrame standard (published for consultation in March 2017).</p>
<p>Guideline M2E3-1-3-1 The IAIG should be aware that a change in one entity may have an impact only locally, or within the region, or on a selected few entities and that this may not be immediately apparent on a group-wide basis but may affect the IAIG’s risk profile.</p>	<p>CF 8.1c.1 The IAIG should assess whether a change occurring in one or more entities may affect the IAIG’s risk profile overall. While such a change may impact only locally or within the region initially, the impact on a group-wide basis may not be immediately apparent.</p>	<p>Guidance reworded.</p>
<p>Guideline M2E3-1-3-2 The ERM Framework enables the IAIG to take the necessary action, whether on a group-wide basis or at an entity level, in a timely manner.</p>	<p>N/A</p>	<p>The requirement to take necessary actions covered by CF 8.1c.</p>
<p>Guideline M2E3-1-3-3 The IAIG’s culture should support open communication of emerging risks that may be significant to the IAIG and its entities.</p>	<p>CF 8.1d.2 The IAIG’s risk culture should support open communication of emerging risks that may be significant to the IAIG and its entities.</p>	

<p>Parameter M2E3-1-4 The IAIG’s ERM Framework is independently reviewed on a regular basis, at least once every three years, in order to ascertain that the ERM Framework itself remains fit for purpose.</p>	<p>CF 16.2b The supervisor requires the IAIG’s ERM framework to be independently reviewed at least once every three years, in order to ascertain that the ERM framework itself remains fit for purpose.</p>	<p>Wording slightly improved.</p>
<p>Guideline M2E3-1-4-1 The review may be carried out by an internal or external body but the independent reviewer should not be responsible for, nor have been actively involved in, the part of the ERM Framework that it reviews.</p>	<p>CF 16.2b.1 The ERM framework review may be carried out by an internal or external body as long as the reviewer is independent and not responsible for, nor been actively involved in, the part of the ERM framework that it reviews.</p>	<p>Wording slightly improved.</p>
<p>Parameter M2E3-1-5 The IAIG determines its risk appetite and makes use of its risk tolerance in its business strategy, both on an insurance entity and group-wide basis. Its defined risk tolerance is embedded in its day-to-day operations via its risk management policies and procedures.</p>	<p>N/A</p>	<p>Covered in the revised ICP 8.1, specified in the revised ICP 8.1.2 and the revised ICP 16.4.</p>
<p>Parameter M2E3-1-6 The IAIG articulates its risk appetite by establishing and maintaining a risk tolerance statement for the group which:</p> <ul style="list-style-type: none"> • sets out its overall qualitative and quantitative risk tolerance and • defines risk tolerance that take into account all relevant and material risk, both on an insurance entity and group wide basis. 	<p>N/A</p>	<p>Covered in the revised ICP 16.4.</p>
<p>Guideline M2E3-1-6-1 Where the risk tolerance approach is different for</p>	<p>CF 8.1a.1 as quoted above.</p>	<p>Combined Guideline M2E3-1-2-1 and Guideline M2E3-1-6-1.</p>

individual insurance entities, the IAIG should be able to provide explanations for the reasoning behind this.		
ComFrame Standard M2E3-2 Within the group-wide ERM Framework, the IAIG develops a comprehensive group-wide ERM policy which addresses the risks on both an insurance entity and group-wide basis.	N/A	The requirement to develop a risk management policy is covered by ICP 8.1, and the relationship between risks at the group and legal entity level is further described in ICP 8.1.15.
Parameter M2E3-2-1 Through its group-wide ERM policy, the IAIG defines the basis for how it determines the relationship between the IAIG's risk tolerance, regulatory capital requirements, economic capital and the processes and methods for monitoring risk.	N/A	Covered in the revised ICP 16.3
Guideline M2E3-2-1-1 When describing such relationships, particular note should be made of the IAIG's reinsurance arrangements and how they: <ul style="list-style-type: none"> • reflect the IAIG's risk tolerance levels • play a role in mitigating risk • impact the IAIG's capital requirements. The use of any non-traditional forms of reinsurance (e.g. finite reinsurance) should also be addressed.	ICP 16.3.6 The insurer's ERM framework should note the insurer's reinsurance arrangements and how they: <ul style="list-style-type: none"> • reflect the insurer's risk limits structure; • play a role in mitigating risk; and • impact the insurer's capital requirements. The use of any non-traditional forms of reinsurance (e.g. finite reinsurance) should also be addressed.	Not specific to IAIGs, integrated as new ICP Guidance. Wording slightly improved.
Guideline M2E3-2-1-2 In order to achieve appropriate mitigation of counterparty risk and concentration risk, it is important that there is robust risk management of all reinsurance arrangements, regardless of the identity of the reinsurer and whether internal or external.	N/A	Covered in the revised ICP 13.1 and ICP 13.2.

<p>Contract certainty should be provided through the appropriate documentation, duly approved.</p>		
<p>Parameter M2E3-2-2 The IAIG implements its group-wide ERM policy by establishing procedures and monitoring practices for the use of sufficient, reliable and relevant data for its underwriting, pricing, reserving and reinsurance processes.</p>	<p>CF 16.7a The group-wide supervisor requires the IAIG to implement its ERM framework by establishing procedures and monitoring practices for the use of sufficient, reliable and relevant data for its underwriting, pricing, reserving and reinsurance processes.</p>	<p>Wording slightly improved.</p>
<p>Guideline M2E3-2-2-1 The IAIG should clarify whether the data used is based on consolidation or on another aggregation method of the IAIG’s various entities. The IAIG should take into consideration the implications and inherent risks of the selected methodology when developing its group-wide ERM policy. For example, intra-group transactions may be eliminated in consolidation and may not be reflected in the consolidated financial statement of the IAIG at the top level. In using the consolidation basis for setting group-wide ERM policy, the IAIG may be able to account, and take credit for, diversification of risk. Conversely, using another aggregation method may facilitate a more granular recording of risk.</p>	<p>CF 16.7a.1 The IAIG should clarify whether the data used are based on consolidation or on another aggregation method of the IAIG’s various entities. The IAIG should take into consideration the implications and inherent risks of the selected methodology when developing its ERM framework. For example, intra-group transactions may be eliminated in consolidation and may not be reflected in the consolidated financial statement of the IAIG at the top level. In using the consolidation basis for the ERM framework, the IAIG may be able to account, and take credit for, diversification of risk. Conversely, using another aggregation method may facilitate a more granular recognition of risk.</p>	
<p>Parameter M2E3-2-3 The group-wide ERM policy identifies and describes any of the IAIG entities whose requirements or processes are deemed to be an outlier</p>	<p>N/A</p>	<p>The need to reflect differences in the risk management that may apply to different legal entities within the IAIG is covered by Standard CF 8.1a. In addition, the need to</p>

<p>within the IAIG's group-wide ERM policy.</p>		<p>explain the respective approaches to, or assumptions of, risk management applied across the IAIG is covered by Guidance CF8.1a.1.</p>
<p>Guideline M2E3-2-3-1 The IAIG should be able to explain why a particular entity is substantially different from the majority of the other entities, although it stills conforms to the policy.</p>	<p>N/A</p>	<p>See comment above on its related Parameter M2E3-2-3.</p>
<p>Parameter M2E3-2-4 The group-wide ERM policy addresses the risk from operating in different jurisdictions and different regulatory environments and considers operations through various entities.</p>	<p>N/A</p>	<p>The requirement to develop a risk management policy is covered by ICP 8.1, and the relationship between risks at the group and legal entity level is further described in ICP 8.1.13 and ICP 8.1.15.</p> <p>CF8.1b includes also a requirement that the IAIG's risk management system should cover nature and degree of risk of individual legal entities or business lines as well as laws and regulations of the jurisdictions where the IAIG operates.</p>
<p>Parameter M2E3-2-5 The IAIG reflects any material changes to its structure and/or strategy by updating its group-wide ERM policy accordingly and formally reviewing it on an annual basis.</p>	<p>CF 8.1c.2 The IAIG's risk management system should take account of all material changes at an entity level that may have an impact on how the IAIG measures and mitigates risk at a group level.</p>	<p>The reference to changes in the IAIG's structure and/or business strategy added to existing ComFrame standard (published for consultation in March 2017). This is further specified in new guidance CF8.1c.2, which combines the wording of Parameter M2E3-1-3 and Parameter M2E3-2-5.</p>
<p>Parameter M2E3-2-6 The group-wide ERM policy includes an explicit group-wide asset-liability management (ALM) policy which clearly specifies the nature, role and extent of ALM activities and their relationship with investment</p>	<p>N/A</p>	<p>Covered in the revised ICP 16.5.</p>

management and, where applicable, product development and pricing functions.		
<p>Guideline M2E3-2-6-1 The IAIG should take account of any legal restrictions that may apply to the treatment of assets and liabilities within different jurisdictions. Any differences in approach within different insurance entities/business units should be documented.</p>	<p>ICP 16.5.7 The group-wide ALM policy should reflect any legal restrictions that may apply to the treatment of assets and liabilities within the jurisdictions in which the group operates</p>	<p>Not specific to IAIGs, integrated as new ICP Guidance.</p> <p>Wording slightly improved.</p> <p>Second paragraph on documentation covered in CF 8.1a.</p>
<p>Parameter M2E3-2-7 The group-wide ERM policy reflects an explicit investment policy which specifies the nature, role and extent of the IAIG’s investment activities and establishes explicit risk management procedures, limits or other requirements.</p>	<p>N/A</p>	<p>Covered in the revised ICP 16.6.</p>
<p>Parameter M2E3-2-8 The group-wide ERM policy includes an explicit group-wide intra-group transactions (IGT) policy which clearly specifies the mechanisms to keep track of intra-group transactions that are of substantial importance to, and have a significant consequence on, the IAIG. The IGT policy considers the risks arising from intra-group transactions and places appropriate qualitative and quantitative restrictions on them.</p>	<p>CF 16.1c The group-wide supervisor requires the IAIG’s ERM framework to consider explicitly group-wide intra-group transactions and exposures (IGT) including:</p> <ul style="list-style-type: none"> • the mechanisms to keep track of intra-group transactions that are of substantial importance to, and have a significant consequence for, the IAIG; and • the risks arising from intra-group transactions and exposures and places appropriate qualitative and quantitative restrictions on them. 	<p>Wording slightly improved.</p>
<p>Guideline M2E3-2-8-1 Intra-group transactions and exposures may include, but are not limited to:</p> <ul style="list-style-type: none"> • loans 	<p>CF 16.1c.1 Intra-group transactions and exposures may include, but are not limited to:</p> <ul style="list-style-type: none"> • loans; 	

<ul style="list-style-type: none"> • guarantees • issuance of contingent capital • payment of dividends • cost sharing structures • service contracts • management arrangements and outsourcing • reinsurance • transactions among financial services entities of different sectors within the IAIG • equity holdings 	<ul style="list-style-type: none"> • guarantees; • issuance of contingent capital; • payment of dividends; • cost sharing structures; • service contracts; • management arrangements and outsourcing; • reinsurance; • transactions among financial services entities of different sectors within the IAIG; and • equity holdings. 	
<p>Guideline M2E3-2-8-2 On a consolidated or another aggregated basis the risks to the IAIG of intra-group transactions may not be evident. The IAIG's risk assessment as regards to intra-group transactions should consider, amongst other things:</p> <ul style="list-style-type: none"> • mobility and fungibility of assets and of capital • correlation or concentration of risk • practical issues, including the time needed, to reallocate risk, and risk mitigants, amongst entities • pathways for contagion within the group. 	<p>CF 16.1c.2 On a consolidated or other aggregated basis, the risks to the IAIG arising from IGT may not be evident. The IAIG's risk assessment of its IGT should consider, amongst other factors:</p> <ul style="list-style-type: none"> • fungibility of capital and transferability of assets; • correlation or concentration of risk; • practical issues, including the time needed to reallocate risk and risk mitigants amongst entities; and • pathways for contagion within the group. 	Wording slightly improved.
<p>Guideline M2E3-2-8-3 The IAIG should be aware of, and take account of, the risk of support being withdrawn by one part of the IAIG due to adverse publicity, poor results or operational inefficiencies in another part of the IAIG.</p>	<p>CF 16.1c.3 The IAIG should be aware of, and take account of, the risk of support being withdrawn by one part of the IAIG due to adverse publicity, poor results or operational inefficiencies in another part of the IAIG.</p>	
<p>Guideline M2E3-2-8-4</p>	<p>CF 16.1c.4</p>	Wording slightly improved.

<p>Particular note should be made by the IAIG of any financial or other activities (e.g. maturity transformation, securities lending) being undertaken by individual entities, that might change the risk profile of the group. For example, in securities lending transactions, the group-wide ERM policy may provide that high quality assets not be swapped with low quality assets, that appropriate arrangements for the provisioning of collateral are in place or that the maturity of the swapped assets do not significantly increase the risk profile of the IAIG.</p>	<p>The IAIG should address, in its ERM framework, any financial or other activities (e.g. maturity transformation, securities lending) being undertaken by individual entities that may change the risk profile of the group. For example, in securities lending transactions, the ERM framework may provide that high quality assets not be swapped with low quality assets, that appropriate arrangements for the provisioning of collateral are in place or that the maturity of the swapped assets do not significantly alter the risk profile of the IAIG.</p>	
<p>Guideline M2E3-2-8-5 The IAIG should also take account of the aggregation of exposures to external parties across the IAIG.</p>	<p>N/A</p>	<p>Covered in the revised CF 16.1.</p>
<p>ComFrame Standard M2E3-3 The IAIG establishes, within its ERM Framework, effective means for identifying, measuring, reporting and managing risk on a group-wide basis.</p>	<p>N/A</p>	<p>Covered in the revised ICP 16.1 and ICP 16.2</p>
<p>Parameter M2E3-3-1 The IAIG’s ERM Framework covers at least the following risks and the management of these risks in a cross-border context:</p> <ul style="list-style-type: none"> • insurance risk • market risk • credit risk • liquidity risk • concentration risk • operational risk • group risks (including contagion and reputational risk) 	<p>CF 16.1b The group-wide supervisor requires the IAIG’s ERM framework to cover at least the following risks and the management of these risks in a cross-border context:</p> <ul style="list-style-type: none"> • insurance risk; • market risk; • credit risk; • liquidity risk; • concentration risk; • operational risk; • group risk; and • strategic risk. 	<p>Wording slightly improved. Wording in parenthesis after “group risk” is deleted as group risk is explained in the revised ICP 16.1.5 and ICP 16.1.6.</p> <p>The last sentence (after the bullet points) is deleted since the phrase “management of these risks” includes risk mitigation techniques.”</p>

<ul style="list-style-type: none"> • strategic risk. <p>In measuring these risks, the IAIG also considers the net risk, taking into account any risk mitigation techniques applied, including reinsurance.</p>		
<p>Guideline M2E3-3-1-1 In this context, cross-border refers to the aggregation or consolidation of risks that may affect the IAIG due to its operations across various jurisdictions. The IAIG should take note of intra-group dependencies and diversifications and adjust its risk tolerance accordingly. In particular, the materiality and concentration risk of any intra-group reinsurance arrangements will be of a different nature or contain different terms than that of external facilities.</p>	N/A	<p>First and third sentences were not integrated as they were not considered necessary guidance for the relevant standard.</p> <p>Second sentence was not integrated as the IAIG should set its risk appetite first, and adjust its intra-group dependencies and diversifications, instead of the opposite.</p>
<p>Guideline M2E3-3-1-2 Although group risk may be an integral part of several other risks and considered therein, the IAIG should also recognise it as a separate risk in its ERM Framework. For example, when one of the subsidiaries or branches of the IAIG is under stress, it could damage the IAIG as a whole.</p>	N/A	Group risk is explained in the revised ICP 16.1.5 and ICP 16.1.6.
<p>Guideline M2E3-3-1-3 The IAIG should make note of how reinsurers are used within the IAIG in the mitigation of risk. Of particular concern is the knock-on effect any failure of these reinsurers would have on the solvency position of the various group entities making use of their facilities and on the IAIG itself.</p>	N/A	Covered in the revised ICP 13.1 and ICP 13.2.
<p>Parameter M2E3-3-2</p>	N/A	This Parameter was not integrated since it was difficult

<p>The IAIG’s ERM Framework comprises group-wide strategies, processes and reporting procedures necessary to identify, measure and report on those risks and their interdependencies on a continuous basis, at both an individual and aggregate level.</p>		<p>to ascertain the outcome being sought.</p>
<p>Guideline M2E3-3-2-1 The IAIG should have an established process for assessing the security of its (potential) reinsurance, credit and outsourcing arrangements, based on up-to-date, well-informed and comprehensive information.</p>	<p>N/A</p>	<p>This Guideline only covers certain aspects without providing further explanation.</p>
<p>Parameter M2E3-3-3 The IAIG, in order to measure its risks, builds and maintains an economic capital model, which takes account of the risks the IAIG faces with group operations in distinctly different sectors, jurisdictions and economic environments.</p>	<p>CF 16.2a The group-wide supervisor requires the IAIG to measure all reasonable foreseeable and relevant material risks using an economic capital model and take account of the risks that the IAIG faces in different sectors, jurisdictions and economic environments.</p>	<p>Improved Standard.</p>
<p>Guideline M2E3-3-3-1 The economic capital model should be based on techniques that:</p> <ul style="list-style-type: none"> • demonstrate control processes for the input data • estimate the amount of capital needed in adverse situations that the IAIG is or might be exposed to; to the extent it is reasonably foreseeable. <p>The economic capital model is used to drive or validate major management decisions and focuses deeper attention on owners’ capital.</p>	<p>CF 16.2a.1 The economic capital model should be based on techniques that estimate the amount of capital needed in adverse situations that the IAIG is or may be exposed to, to the extent it is reasonably foreseeable. The economic capital model is used to drive or validate major management decisions and focuses deeper attention on capital adequacy.</p>	<p>First bullet point deleted as it focused on input data. This scope is too narrow as there are other aspects of model validation.</p> <p>Guidance on model risk management covered in the revised ICP 16.0.8 and ICP 16.2 (subsection on “Use of models for ERM”).</p> <p>Guidance on model validation and data quality covered in CF 16.7d.1.</p>

<p>Parameter M2E3-3-4 The IAIG uses the output of its own economic capital model, and regulatory capital requirements, as inputs to its capital planning, which covers at least the IAIG’s business planning period.</p>	<p>CF 16.2a.2 The IAIG should consider the output of its economic capital model and regulatory capital requirements as inputs to its capital planning, which covers at least the IAIG’s business planning period.</p>	<p>Parameter in 2014 version reduced to Guidance level because the requirements might be too prescriptive for IAIGs.</p>
<p>Parameter M2E3-3-5 The IAIG ranks and quantifies its risks in a consistent, reliable and valid manner using appropriate means.</p>	<p>CF 16.2a.3 The IAIG should prioritise its risks in a consistent, reliable and valid manner using appropriate means, including the use of an economic capital model.</p>	<p>Combined with Guideline M2E3-3-5-1. Parameter in 2014 version reduced to Guidance level because the requirements might be too prescriptive for IAIGs.</p>
<p>Guideline M2E3-3-5-1 Appropriate means include the use of an economic capital model.</p>	<p>CF 16.2a.3 quoted above.</p>	<p>Combined with Parameter M2E3-3-5.</p>
<p>Parameter M2E3-3-6 The IAIG’s risk identification and measurement includes stress (and reverse stress) testing and scenario analysis using scenarios identified by the IAIG. It captures group risk, including risks from unregulated activities, and risk from international operations, taking note of key differences in risk in the various jurisdictions in which it operates and any potential contagion risk.</p>	<p>CF 16.2c The group-wide supervisor requires the IAIG’s risk measurement to include stress and reverse stress testing and scenario analysis that are deemed relevant to the IAIG’s risk profile.</p>	<p>Reference to “identification” is deleted as the revised ICP 16.2 is on measurement of risk. Last sentence is deleted because jurisdictional risk is part of group risk. Group risk is covered in the revised ICP 16.1.</p>
<p>Guideline M2E3-3-6-1 Stress and scenario testing should reflect the IAIG’s own risk profile and are an important element of the ERM, used in assessing the financial strength of an insurance entity/group, under stressed circumstances. Although predominantly quantitative in nature, stress tests are based on important qualitative components, such as key</p>	<p>CF 8.1a.2 The IAIG should document the methodologies, key assumptions and limitations related to its stress testing and scenario analysis.</p>	<p>The requirements regarding documentation included in ICP 8 and ComFrame material integrated with ICP 8. First paragraph is deleted as it is a general statement that is not specific to IAIG and is covered in the revised ICP 16.2 and its Guidance.</p>

<p>assumptions and (the limitations of) available data. The IAIG should document the methodologies, key assumptions and limitations related to its stress and scenario testing, and communicate these internally as well as to the group-wide supervisor.</p>		
<p>Guideline M2E3-3-6-2 The IAIG should identify stresses in the risk transfer markets that could have an adverse effect on its business model. As an example, the IAIG should consider, when developing its stresses, reinsurance capacity and related risk transfer costs in future periods after a catastrophic event.</p>	<p>CF 16.2c.1 The IAIG should identify stresses pertinent to its risk profile. This should include (but may not be limited to) stresses in the risk transfer markets that may have an adverse effect on its business plan. For example, when developing its stresses, the IAIG should consider reinsurance capacity and related risk transfer costs in future periods after a catastrophic event.</p>	<p>Wording slightly improved.</p>
<p>ComFrame Standard M2E3-4 The IAIG conducts a group-wide ORSA to monitor and manage its overall solvency.</p>	<p>N/A</p>	<p>Covered in the revised ICP 16.8</p>
<p>Parameter M2E3-4-1 The IAIG performs a group-wide ORSA, using both quantitative and qualitative approaches, which considers:</p> <ul style="list-style-type: none"> • the legal and management structures of the group • restrictions on capital movements • group-wide economic capital models • risk aggregation • the transferability of assets between jurisdictions and the fungibility of capital • both the outputs of the economic capital model 	<p>CF 16.10a The group-wide supervisor requires the Head of the IAIG to perform a group-wide ORSA, using both quantitative and qualitative approaches, which considers:</p> <ul style="list-style-type: none"> • the legal and management structures of the group; • restrictions on capital movements; • group-wide economic capital models; • risk aggregation; • the transferability of assets between jurisdictions and the fungibility of capital; and 	

and the regulatory capital requirements.	<ul style="list-style-type: none"> both the outputs of the economic capital model and the regulatory capital requirements. 	
<p>Guideline M2E3-4-1-1 ORSAs should be largely driven by how an IAIG is structured and how it manages itself. When operating in a decentralised environment, the group-wide ORSA should take into account all its insurance entities' ORSAs in the group context. The IAIG may perform ORSAs at an insurance entity level for internal management reasons, but this does not exempt it from conducting a group-wide ORSA.</p>	<p>ICP 16.8.2 ORSAs should be largely driven by how an insurer is structured and how it manages itself. The performance of an ORSA at the insurance entity level does not exempt the group from conducting a group-wide ORSA</p>	<p>Not specific to IAIGs, integrated as new ICP Guidance.</p> <p>Reference to “decentralised environment” is deleted as the group-wide ORSA should take into account all its insurance entities' ORSAs in the group context regardless whether it is centralised or decentralised environment.</p> <p>Wording slightly improved.</p>
<p>Guideline M2E3-4-1-2 In conducting its group-wide ORSA, the IAIG should be able to account for diversification in the IAIG. Moreover, the IAIG should be able to demonstrate how much of the diversification benefit would be maintained in a stress situation.</p>	<p>ICP 16.10.7 In conducting its group-wide ORSA, the group should be able to account for diversification in the group. Moreover, the group should be able to demonstrate how much of the diversification benefit would be maintained in a stress situation.</p>	<p>Not specific to IAIGs, integrated as new ICP Guidance.</p>
<p>Parameter M2E3-4-2 Through its ORSA, the IAIG provides:</p> <ul style="list-style-type: none"> a determination of its overall financial resources a basis for its risk management actions an analysis of its ability to continue in business. 	<p>N/A</p>	<p>Covered in the revised ICP 16.11 and ICP 16.12.</p>
<p>Guideline M2E3-4-2-1 The ORSA should include:</p> <ul style="list-style-type: none"> a determination of the overall financial resources given its own risk tolerance levels and business plans and a demonstration that all 	<p>N/A</p>	<p>Covered in the revised ICP 16.11 and ICP 16.12.</p>

<p>supervisory requirements (applicable to any entity within the IAIG, and, where applicable, to the group as a whole) are met on a continuous basis</p> <ul style="list-style-type: none"> • a basis for its risk management actions on consideration of its economic capital, regulatory capital requirements and financial resources, an assessment of the quality and adequacy of its qualifying capital resources to meet the current (and reasonably foreseeable future) capital benchmark and regulatory capital requirements and any additional capital needs, whether set by the group-wide supervisor/college or individual jurisdictions in which it operates • the IAIG’s analysis of its ability to continue in business, and the financial resources required to do so over the business planning horizon. 		
<p>Parameter M2E3-4-3 The IAIG takes its ORSA into account on an on-going basis in its strategic decisions.</p>	<p>N/A</p>	<p>Covered in revised ICP 16.12.</p>
<p>Parameter M2E3-4-4 Through its ORSA, the IAIG considers all reasonably foreseeable and relevant material risks on a group-wide basis including, as a minimum:</p> <ul style="list-style-type: none"> • insurance risk • market risk • credit risk • group risk 	<p>N/A</p>	<p>Covered in revised ICP 16.10.</p>

<ul style="list-style-type: none"> operational risk. <p>Guideline M2E3-4-4-1 In conducting its ORSA, the IAIG should consider risks arising from insurance and other entities, including non-regulated ones. Some other risks that are important to consider are:</p> <ul style="list-style-type: none"> liquidity risk reputational risk. <p>Not all of the risks that are covered by the IAIG's ERM Framework will necessarily be encompassed in the ORSA. The ORSA should explicitly state and address such differences between the quantifiable and non-quantifiable risks.</p>	<p>CF 16.10a.1 In conducting its group-wide ORSA, the IAIG should consider risks arising from insurance legal entities and other entities, including non-regulated ones. Other risks that are important to consider as part of the group-wide ORSA are political risk and reputational risk.</p> <p>ICP 16.10.2 The ORSA should explicitly state those risks that are quantifiable and those that are non-quantifiable.</p>	<p>Integrated as both ComFrame and ICP material.</p> <p>Wording slightly improved. Reference to "liquidity risk" is removed as it is covered in the revised ICP 16.10. Political risk is added because of the relevance to the cross-border nature of the IAIGs.</p> <p>Last sentence is not specific IAIGs and integrated as new ICP Guidance.</p>
<p>Parameter M2E3-4-5 The IAIG identifies and considers the risks arising from its strategy as part of its ORSA.</p>	<p>CF 16.12a The group-wide supervisor requires the IAIG to identify and consider the risks arising from its strategy as part of its ORSA.</p>	<p>Wording slightly improved.</p>
<p>Guideline M2E3-4-5-1 These risks should include, but not be limited to:</p> <ul style="list-style-type: none"> the ability of the IAIG and entities to handle significant or unusual growth or shifts in business volumes expertise and resources required to manage proposed new lines of business or operations in new jurisdictions. 	<p>CF 16.12a.1 These risks should include, but not be limited to:</p> <ul style="list-style-type: none"> the ability of the IAIG and entities to handle significant or unusual growth or shifts in business volumes expertise and resources required to manage proposed new lines of business or operations in new jurisdictions. 	
<p>Parameter M2E3-4-6 The IAIG uses the output of the ORSA in reviewing its group-wide ERM policy, amending it as appropriate.</p>	<p>N/A</p>	<p>Covered in CF 8.1c.</p>
<p>ComFrame Module 2 Element 4</p>		
<p>ComFrame Standard M2E4-1 The IAIG develops and implements a group-wide</p>	<p>N/A</p>	<p>Covered in the revised ICP 16.6.</p>

investment policy that clearly defines its investment objectives, ensuring that these are consistent with any legislative restrictions.		
Parameter M2E4-1-1 The group-wide investment policy establishes limits or other requirements that are applicable to its investment activities. The group-wide investment policy applies to the whole portfolio of investments of the IAIG and requires that: <ul style="list-style-type: none"> • investments of an IAIG are appropriate to the nature of its liabilities • the IAIG invests only in assets whose risks it can properly assess and manage. 	N/A	First sentence covered in the revised ICP 16.6. Second sentence covered in the revised ICP 16.5.
Guideline M2E4-1-1-1 The IAIG should select investments that are appropriate to the nature of its liabilities in order to enable its entities to use the proceeds of these investments to pay the policyholders and other creditors, as and when the payments to them fall due.	N/A	Covered in the revised ICP 15.3.1.
Guideline M2E4-1-1-2 Due consideration should be paid to match currencies and investment durations to the nature of the liabilities held by the IAIG so that assets can be liquidated in a timely manner in the jurisdiction where they are required to make payments. Strict, one-for-one asset to liability matching is not expected, but the portfolio, including hedging activities, should have adequate scope	N/A	Covered in the revised ICP 15.3.1 and ICP 15.3.2.

and flexibility to enable an IAIG to meet its obligations.		
Parameter M2E4-1-2 The IAIG has access to the requisite knowledge and skills needed to assess and manage the risks of its investments. In managing the investments, due regard is paid to the needs of the individual insurance entities in addition to the needs of the IAIG as a whole.	ICP 15.4.5 The insurer should have access to the requisite knowledge and skills needed to assess and manage the risks of its investments. When using external investment advisors/managers, the insurer is responsible for determining that those parties are knowledgeable and have the requisite skills to manage the insurer's investments	Not specific to IAIGs. Covered in the revised ICP 15.4. Combined Parameter M2E4-1-2 and Guideline M2E4-1-2-1 as new ICP Guidance to support the revised ICP 15.4. Second sentence is covered in the revised ICP 15.4.6.
Guideline M2E4-1-2-1 Where an IAIG manages all or some of its investments internally, the investment management function should have the requisite knowledge and skills. When using external investment advisors/managers, the IAIG is responsible for determining that those parties are knowledgeable and have the requisite skills to manage the IAIG's investments.	ICP 15.4.5 The insurer should have access to the requisite knowledge and skills needed to assess and manage the risks of its investments. When using external investment advisors/managers, the insurer is responsible for determining that those parties are knowledgeable and have the requisite skills to manage the insurer's investments	Combined Parameter M2E4-1-2 and Guideline M2E4-1-2-1 as new ICP Guidance to support the revised ICP 15.4. First sentence covered in the revised ICP 15.4.6.
Parameter M2E4-1-3 The group-wide investment policy establishes limits on the nature and total value of intra-group participations.	CF 15.4a The group-wide supervisor requires the Head of the IAIG to establish limits on intra-group investments in the group-wide investment policy.	Improved Standard.
Guideline M2E4-1-3-1 Limits on such participations should have regard to: <ul style="list-style-type: none"> • their lack of liquidity • contagion or reputational risk • valuation uncertainty • potential impact on capital resources. 	CF 15.4a.1 Limits on intra-group investments should consider, in particular: <ul style="list-style-type: none"> • their lack of liquidity; • contagion or reputational risk; • valuation uncertainty; and • potential impact on capital resources. 	Wording slightly improved. Last sentence is added to clarify the fact that certain intragroup investments subject to supervisory approval does not exclude the requirement for the IAIG to set their own requirements.

	The fact that intragroup investments might be subject to supervisory approval in certain jurisdictions does not remove the requirement for the IAIG to set its own limits.	
Parameter M2E4-1-4 The IAIG avoids placing undue reliance on credit rating agencies and conducts its own due diligence.	CF 15.2b The group-wide supervisor requires the IAIG to avoid placing undue reliance on assessments by credit rating agencies with regard to investment selection and risk management process, and to conduct its own due diligence.	Wording slightly improved.
Guideline M2E4-1-4-1 The IAIG should establish a methodology for assessing the credit standing of counterparties to investments using various sources of information and its own expertise in order to arrive at its own risk assessment.	CF 15.2b.1 The IAIG should conduct due diligence to check the appropriateness of such credit risk assessments using various sources of information and conducting its own credit assessments on its larger or more complex exposures.	Improved Guidance.
ComFrame Standard M2E4-2 The IAIG's group-wide investment policy establishes criteria pertaining to the quality of its investments.	CF 15.2a The group-wide supervisor requires the Head of the IAIG to establish a group-wide investment policy that sets criteria for investment quality and addresses the selection of, and exposure to, low-quality investments or investments whose security is difficult to assess.	Wording slightly improved. Combined with Parameter M2E4-2-1.
Parameter M2E4-2-1 The group-wide investment policy addresses the selection of, and/or exposure to, low-quality investments or investments whose security is difficult to assess.	CF 15.2a quoted above.	Wording slightly improved. Combined with Standard M2E4-2.
Guideline M2E4-2-1-1 The group-wide investment policy should consider different jurisdictional supervisory requirements	CF 15.2a.1 The group-wide investment policy should take into account the different regulatory investment requirements of	Wording slightly improved.

related to investments in low-quality assets.	the jurisdictions in which the IAIG operates related to investments in low-quality assets.	
Parameter M2E4-2-2 The IAIG monitors investments on a group-wide basis to identify inappropriate levels of exposure to certain investments compared to the group-wide investment policy.	CF 15.2f The group-wide supervisor requires the Head of the IAIG to monitor investments on a group-wide basis to identify levels of exposure to certain investments that are inappropriate according to the group-wide investment policy.	Wording slightly improved.
Guideline M2E4-2-2-1 Group-wide exposures which exceed limits or any other instances of non-compliance should be reported periodically to the Governing Body. Reports to the Governing Body should also include exposures that, even if within limits, could create financial difficulties within the IAIG if the value or liquidity of the investments decreases.	CF 15.2f.1 Group-wide exposures which exceed limits or any other instances of non-compliance should be reported periodically to the Head of IAIG. Reports to the Head of IAIG should also include exposures that, even if within limits, could create financial difficulties within the IAIG if the value or liquidity of the investments decreases.	Wording slightly improved.
Parameter M2E4-2-3 The group-wide investment policy sets minimum criteria for the liquidity and location of its investment portfolio so that it can make payments to policyholders or creditors when and where they fall due.	CF 15.2d The group-wide supervisor requires the Head of the IAIG to set minimum criteria for the liquidity and location of its investment portfolio in the group-wide investment policy so that the IAIG can make payments to policyholders or creditors when and where they fall due.	Wording slightly improved.
Guideline M2E4-2-3-1 The IAIG should consider its liquidity needs, transferability of assets and the fungibility of its capital in a stressed environment when determining the minimum criteria for liquidity of its investment portfolio.	ICP 15.2.16 Liquidity of assets and fungibility of capital are especially important if the group relies on diversification between entities without each entity being fully capitalised on a stand-alone basis (where allowed by the supervisor). [The group should consider its liquidity needs, transferability	Not specific to IAIGs, combined with the revised ICP 15.2.16 (as shown in [] in the second column).

	of assets and the fungibility of its capital in a stressed environment when determining the minimum criteria for liquidity of its investment portfolio.]	
Parameter M2E4-2-4 The group-wide investment policy takes account of the nature of the potential legal and practical impediments to cross-border transfer of capital and assets as well as any potential effect those impediments might have, particularly during periods when the IAIG is under stress and in the winding up of a group entity or several entities.	CF 15.2c The group-wide supervisor requires the Head of the IAIG to consider the effect of any potential legal and practical impediments to the IAIG’s ability to transfer capital and assets on a cross-border basis.	Wording slightly improved. Second sentence deleted because covered in CF 15.2c.1 (see the next row).
Guideline M2E4-2-4-1 The IAIG should document any specific legislative restrictions that apply to the transfer of capital and assets from one jurisdiction to another, and what, if any, additional restrictions apply in the case of insolvency or winding-up of an entity. The IAIG should also have documented procedures on actions to be taken to affect the cross-border transfer of capital and assets in normal and stressed times.	CF 15.2c.1 The IAIG should document any specific legislative restrictions that apply to the transfer of capital and assets from one jurisdiction to another, and what, if any, additional restrictions apply in the case of the resolution of an entity. The IAIG should also have documented procedures on actions that affect the cross-border transfer of capital and assets in normal and stressed times.	Reference to “insolvency or winding up” replaced with “resolution” to be aligned with the revised ICP 12 (Exit from the Market and Resolution).
Parameter M2E4-2-5 The group-wide investment policy sets limits or other requirements so that assets are properly diversified and asset concentration risk is mitigated.	CF 15.2e The group-wide supervisor requires the Head of the IAIG to set limits or other requirements in the group-wide investment policy so that assets are properly diversified and asset concentration risk is mitigated.	Wording slightly improved.
Guideline M2E4-2-5-1	CF 15.2e.1	Wording slightly improved.

<p>The IAIG should avoid excessive concentrations in any particular:</p> <ul style="list-style-type: none"> • type of asset • issuer/counterparty or related entities of an issuer/ counterparty • market • industry • geographic area. 	<p>The IAIG should avoid excessive concentrations in any particular:</p> <ul style="list-style-type: none"> • type of asset; • issuer/counterparty or related entities of an issuer/ counterparty; • financial market; • industry; or • geographic area. 	
<p>ComFrame Standard M2E4-3 The IAIG’s group-wide investment policy addresses investments in particularly complex classes of assets, less transparent classes of assets and markets or instruments that are subject to less governance or regulation on a jurisdictional basis.</p>	N/A	Covered in the revised ICP 16.6.
<p>Parameter M2E4-3-1 The group-wide investment policy establishes quantitative and qualitative requirements for investment in assets that are complex, less transparent or subject to less governance or regulation.</p>	N/A	Covered in the revised ICP 16.6.
<p>Guideline M2E4-3-1-1 For example, an IAIG could set an investment limit on complex investments by type of instrument or establish policies outlining the circumstances in which derivative instruments can be used.</p>	N/A	Covered in the revised ICP 16.6 and its Guidance.
<p>Parameter M2E4-3-2 Investments by IAIGs are sufficiently transparent so as to allow for an assessment of the nature, scale and complexity of the associated risks.</p>	N/A	Covered in the revised ICP 16.6 and its Guidance.
<p>Guideline M2E4-3-2-1 The IAIG should assess the risk profile of those assets which</p>	N/A	Covered in the revised ICP 15.4.3.

are less transparent. The IAIG should look at the underlying exposure of the investment as well as considering the additional risks introduced by, and inherent in, the investment structure.		
Guideline M2E4-3-2-2 In developing its own methodology for assessing structured investment products and derivatives, the IAIG should give consideration to underlying risks including credit and market risks and other analyses such as assessments from credit rating agencies.	N/A	Covered in the revised ICP 15.5 and its Guidance.
ComFrame Standard M2E4-4 The IAIG maintains a group-wide underwriting policy.	N/A	Covered in the revised ICP 16.7.
Parameter M2E4-4-1 The group-wide underwriting policy addresses the following issues: <ul style="list-style-type: none"> • the IAIG’s willingness to bear underwriting risk according to the IAIG’s risk appetite and risk tolerance levels • the nature of risks to be underwritten • aggregation limits on particular types of risk • the interaction of the group-wide underwriting policy with the IAIG’s reinsurance/risk transfer strategy • interactions with risk pricing and premium setting functions. 	ICP 16.7 The supervisor requires the insurer’s ERM framework to include an underwriting policy that addresses the: <ul style="list-style-type: none"> • insurer’s underwriting risk according to the insurer’s risk appetite and risk limits structure; • nature of risks to be underwritten; and • interaction of the underwriting strategy with the insurer’s reinsurance/risk transfer strategy and premium setting. 	Not specific to IAIGs, integrated as the revised ICP 16.7. Wording slightly improved. Third bullet point is covered in the revised ICP 16.4.
Guideline M2E4-4-1-1 In addressing the nature and amount of risks to be underwritten the group-wide underwriting policy should cover, at a minimum:	ICP 16.7.4 In addressing the nature and amount of risks to be underwritten the underwriting policy should cover, at a minimum:	Not specific to IAIGs, integrated as new ICP material. Wording slightly improved.

<ul style="list-style-type: none"> product classes the IAIG and its insurance entities are willing to write relevant exposure limits (e.g. geographical, counterparty, economic sector) a process for setting underwriting limits (this may be at the insurance entity rather than individual underwriters in an IAIG). 	<ul style="list-style-type: none"> product classes the insurer is willing to write; relevant exposure limits (e.g. geographical, counterparty, economic sector); and a process for setting underwriting limits. 	
<p>Guideline M2E4-4-1-2 The group-wide underwriting policy should include:</p> <ul style="list-style-type: none"> an analysis of emerging risks in the underwritten portfolio a feedback loop to ensure emerging risks are considered in modifying underwriting practices. 	<p>ICP 16.7.5 The underwriting policy should address:</p> <ul style="list-style-type: none"> how an insurer analyses emerging risks in the underwritten portfolio; and how emerging risks are considered in modifying underwriting practices. 	<p>Not specific to IAIGs, integrated as new ICP material. Wording slightly improved.</p>
<p>Guideline M2E4-4-1-3 When setting aggregation limits on particular types of risks, consideration should be given to the design of the IAIG's reinsurance programme to ensure the balance sheet of the IAIG does not bear risks beyond its risk tolerance levels.</p>	<p>N/A</p>	<p>Covered in the revised ICP 16.3.6.</p>
<p>Guideline M2E4-4-1-4 The group-wide underwriting policy should describe interactions with the reinsurance/risk transfer strategy and should include details of the relationship of certain product classes or particular risks to the availability of reinsurance cover.</p>	<p>ICP 16.7.6 The underwriting policy should describe interactions with the reinsurance/risk transfer strategy and should include details of the reinsurance cover of certain product classes or particular risks.</p>	<p>Not specific to IAIGs, integrated as new ICP material. Wording slightly improved.</p>
<p>ComFrame Standard M2E4-5 The IAIG maintains a group-wide claims management policy.</p>	<p>CF 16.7b The group-wide supervisor requires the Head of the IAIG to maintain a group-wide claims management policy, as</p>	<p>Combined Standard M2E4-5, Parameter M2E4-5-1 and Parameter M2E4-5-2. Improved Standard.</p>

	<p>part of the ERM framework, that establishes procedures on:</p> <ul style="list-style-type: none"> • delegations of authority for claims settlement; • criteria for accepting or rejecting claims; • escalating claims; • claims estimation and settlement; • feedback into the group-wide underwriting policy and reinsurance/risk transfer strategy; and • claims data reporting for group analysis. 	
<p>Parameter M2E4-5-1 The group-wide claims management policy establishes procedures to manage reputational risk through:</p> <ul style="list-style-type: none"> • delegations of authority for claims settlement • criteria for accepting or rejecting claims • a procedure for escalating claims beyond the individual entity. 	<p>CF 16.7b quoted above.</p>	<p>Combined Standard M2E4-5, Parameter M2E4-5-1 and Parameter M2E4-5-2. Improved Standard.</p>
<p>Guideline M2E4-5-1-1 Delegations of authority for claims settlement may be at a high level within an IAIG, for example, at the level of senior management of entities or business units within the IAIG. Although further delegation of authority is likely to be left to the discretion of local senior management, it should be done within a group-wide framework in order to ensure appropriate control and responsibility for decisions made.</p>	<p>N/A</p>	<p>Covered in the revised CF 16.7b.</p>
<p>Guideline M2E4-5-1-2</p>	<p>N/A</p>	<p>Covered in the revised CF 16.7b.</p>

<p>Criteria for accepting or rejecting claims are likely to be heavily influenced by legal requirements in particular jurisdictions. The IAIG should have a general group-wide policy on accepting and rejecting claims with a view to managing its claims incurred and protecting its reputation in the markets in which it operates.</p>		
<p>Guideline M2E4-5-1-3 The escalation procedure for claims data from an entity to the group should specify the transmission of information about sudden increases in claim amounts, slowness in settlement and rejections to the group entity that bears the responsibility for group wide risk management.</p>	<p>CF 16.7b.1 The escalation procedure for claims data from an entity to the group-wide risk management should include information about sudden increases in claim amounts, slowness in settlement and rejections.</p>	<p>Wording slightly improved.</p>
<p>Parameter M2E4-5-2 The group-wide claims management policy addresses the potential impact on the IAIG's balance sheet by providing:</p> <ul style="list-style-type: none"> • a procedure for claims estimation and settlement • a feedback procedure into the group-wide underwriting policy and reinsurance/risk transfer strategy • a procedure for claims data reporting for group analysis. 	<p>CF 16.7b quoted above.</p>	<p>Combined Standard M2E4-5, Parameter M2E4-5-1 and Parameter M2E4-5-2. Improved Standard.</p>
<p>Guideline M2E4-5-2-1 Claims settlement procedures should include loss estimation and investigation procedures at a general level to be implemented in a more detailed fashion at the entity or business unit level. A clear,</p>	<p>N/A</p>	<p>Covered in the revised CF 16.7b.</p>

<p>consistent loss estimation process is a vital component in establishing the amount of claims incurred to be reported on the IAIG's balance sheet.</p>		
<p>Guideline M2E4-5-2-2 A process for claims estimation and settlement should include an analysis of claims trends that will feed back into the group-wide underwriting policy and reinsurance/risk transfer strategy.</p>	<p>N/A</p>	<p>Covered in the revised CF 16.7b.</p>
<p>ComFrame Standard M2E4-6 The IAIG maintains a group-wide reinsurance and risk transfer strategy.</p>	<p>CF 16.7c The group-wide supervisor requires the Head of the IAIG to establish and maintain a group-wide reinsurance and risk transfer strategy that addresses the following issues:</p> <ul style="list-style-type: none"> • the interaction of the group-wide underwriting policy with the IAIG's reinsurance strategy; • how the IAIG's risk appetite and risk tolerance levels are achieved, on both a gross limit and net retention basis; • the IAIG's appetite for reinsurer credit risk, including approved security criteria for reinsurance transactions and aggregate exposure criteria to individual or related reinsurers; • where individual insurance entities are authorised or required to enter into some reinsurance arrangements on their own account, the management of these 	<p>Combined Standard M2E4-6 and Parameter M2E4-6-1</p>

	<p>exposures in the group-wide context;</p> <ul style="list-style-type: none"> • intra-group reinsurance strategy and practice; and • effectiveness of risk transfer in adverse circumstances under reinsurance contracts are properly reflected in solvency assessment. 	
<p>Parameter M2E4-6-1 The group-wide reinsurance strategy addresses the following issues:</p> <ul style="list-style-type: none"> • the interaction of the group-wide underwriting policy with the IAIG’s reinsurance strategy • how the IAIG’s risk appetite and risk tolerance levels are achieved, on both a gross limit and net retention basis • the IAIG’s appetite for reinsurer credit risk, including approved security criteria for reinsurance transactions and aggregate exposure criteria to individual or related reinsurers • where individual insurance entities are authorised or required to enter into some reinsurance arrangements on their own account, the management of these exposures in the group-wide context • procedures for managing reinsurance recoverables, including required reporting from reinsurers. 	<p>CF 16.7c quoted above</p>	<p>Combined Standard M2E4-6 and Parameter M2E4-6-1</p>

<ul style="list-style-type: none"> intra-group reinsurance strategy and practice. 		
<p>Guideline M2E4-6-1-1 A significant issue to consider in the interaction of the group-wide underwriting policy with the IAIG’s reinsurance strategy is any material differences between risks underwritten and the provisions of reinsurance contracts covering those risks. In particular any material differences in exclusions between policies issued by the IAIG and reinsurance contracts covering those risks should be addressed. Where there are material differences in contractual terms these should be considered in the context of the IAIG’s risk tolerance levels.</p>	N/A	Covered in the revised ICP 13.1 and ICP 13.2.
<p>Guideline M2E4-6-1-2 In developing the approved security criteria for reinsurance transactions, the overall approach to credit risk set out in the group-wide ERM Framework should be used.</p>	N/A	Covered in the revised ICP 13.1 and ICP 13.2.
<p>Guideline M2E4-6-1-3 Where individual insurance entities are authorised to enter into reinsurance arrangements on their own account, the manner in which reinsurance arrangements are managed locally and how that ties to the IAIG’s reinsurance strategy, particularly with regard to aggregate exposure criteria to individual and related reinsurers, should be considered.</p>	N/A	Covered in the revised ICP 13.1.
<p>Parameter M2E4-6-2 The IAIG’s reinsurance strategy covers the use of alternative risk transfers,</p>	N/A	Covered in the revised ICP 13.1.9.

<p>including capital markets risk transfer products.</p>		
<p>ComFrame Standard M2E4-7 The IAIG maintains a group-wide actuarial policy, which includes a group-wide insurance liability valuation policy.</p>	<p>CF 16.7d The group-wide supervisor requires the Head of the IAIG to establish and maintain a group-wide actuarial policy as part of the ERM framework, that consist of a set of group-wide practice standards, covering at a minimum:</p> <ul style="list-style-type: none"> • the process to assess the appropriateness, at the group-wide level, of the data, methodologies and underlying models used, as well as the assumptions made in the calculation of technical provisions and the calculation of reinsurance recoverable assets; • the process to calculate reinsurance recoverable assets taking into account the design of the reinsurance programme under the reinsurance strategy of the IAIG; and • model risk management of internal models that generate actuarial and financial projections for solvency purposes. 	<p>Improved Standard.</p> <p>Reference to “group-wide insurance liability valuation policy” deleted in order to clarify the structure of the group-wide actuarial policy.</p> <p>Combined Standard M2E4-7, Parameter M2E4-7-1 and Parameter M2E4-7-2.</p>
<p>Parameter M2E4-7-1 The IAIG’s group-wide actuarial policy sets out procedures for:</p> <ul style="list-style-type: none"> • coordinating the calculation of technical provisions at the group-wide level • coordinating the calculation of reinsurance recoverable assets at the group-wide level 	<p>CF 16.7d quoted above.</p>	<p>Improved Standard.</p> <p>Combined Standard M2E4-7, Parameter M2E4-7-1 and Parameter M2E4-7-2.</p>

<ul style="list-style-type: none"> • assessing the appropriateness, at the group-wide level, of the methodologies and underlying models used as well as the assumptions made in the calculation of those technical provisions. 		
<p>Guideline M2E4-7-1-1 The process of ensuring the appropriateness of the methodologies and underlying models used, as well as the assumptions made in the calculation of technical provisions, may be achieved through a number of means including providing advice on, and assessing compliance with, the group-wide insurance liability valuation policy.</p>	<p>N/A</p>	<p>Covered in the revised CF 16.7d and its Guidance.</p>
<p>N/A</p>	<p>CF 16.7d.1 The group-wide practice standards comprising the group-wide actuarial policy should:</p> <ul style="list-style-type: none"> • be compliant with applicable law and regulation, accounting regime, and professional actuarial standards in which the group operates in; • formalise materiality thresholds to trigger higher levels of management interaction to ensure well-governed activities; • provide for a data validation process that supports actuarial activities to ensure data quality, comprehensiveness, granularity and timeliness; 	<p>Added Guidance to supplement the revised CF 16.7d, based on guidelines under Parameter M2E4-7-1, Parameter M2E4-7-2 and actuarial practice standards.</p>

	<ul style="list-style-type: none"> • provide a framework for determining assumptions used in valuations, including a process of incorporating the actual experience of the IAIG and its insurance legal entities as well as a process of developing assumptions if the IAIG does not have enough actual experience in a particular business line or market; • articulate model validation and maintenance procedure to ensure that model usage and model modifications align with its risk appetite and risk limits structure; and • create consistent management information requirements from in-depth reviews and quarterly monitoring of actuarial activities. 	
<p>Guideline M2E4-7-1-2 If the IAIG’s group-wide actuarial function becomes aware that:</p> <ul style="list-style-type: none"> • any matter has, or is likely to have, a materially adverse effect on the solvency, reserves or financial condition of one of the insurance entities or the IAIG as a whole; or • one of the insurance entities or the IAIG as a whole does not, or is unlikely to, comply with the applicable jurisdictional requirements <p>it should inform the Governing Body and/or the relevant</p>	<p>CF 16.7d.2 The group-wide actuarial policy should contain practice standards to raise awareness of any matter that has, or is likely to have, a materially adverse effect on the solvency, reserves or financial condition of one of the insurance legal entities or the IAIG as a whole that would prompt the IAIG’s group-wide actuarial function to inform the relevant Board or Key Persons in Control Functions at the insurance legal entity level, as appropriate, for suitable action per ICP 8.</p>	<p>Wording slightly improved. The elements specific for an actuarial function in general covered by revised first bullet and new second bullet in CF 8.6a.</p>

<p>Board or Key Persons in Control Functions at the insurance entity level, as appropriate, for suitable action.</p>	<p>CF 8.6a</p> <p>The group-wide supervisor requires the Head of the IAIG to ensure that the IAIG actuarial function provides an overview of the IAIG’s actuarial activities, functions and risks arising within or emanating from insurance legal entities within the IAIG. This overview includes, at a minimum:</p> <ul style="list-style-type: none"> • group-wide risk assessment and management policies and controls relevant to govern the activities of the IAIG’s actuarial function or financial condition; • procedures to identify compliance issues at one of the insurance legal entities in the IAIG or the IAIG as a whole, as applicable; <p>[...]</p>	
<p>Parameter M2E4-7-2 The group-wide actuarial policy documents the insurance liability valuation policy across the group, which includes at a minimum:</p> <ul style="list-style-type: none"> • a framework for determining assumptions to be used in valuations • a methodology for calculating the gross insurance liabilities • a methodology for calculating the reinsurance recoverable asset at the group-wide level taking into account the design of the reinsurance programme 	<p>CF 16.7d quoted above.</p>	<p>Improved Standard.</p> <p>Reference to “group-wide insurance liability valuation policy” deleted in order to clarify the structure of the group-wide actuarial policy.</p> <p>Combined Standard M2E4-7, Parameter M2E4-7-1 and Parameter M2E4-7-2.</p>

<p>under the reinsurance strategy of the IAIG</p> <ul style="list-style-type: none"> • data quality standards within the IAIG. 		
<p>Guideline M2E4-7-2-1 Differences may exist (for example, in reporting) at the insurance entity level to comply with jurisdictional requirements. The policy should focus on group-wide reporting requirements for both internal management purposes and for reporting and disclosure purposes.</p>	<p>CF 16.7d.3 Differences may exist (for example, in reporting) at the insurance legal entity level to comply with jurisdictional requirements. The IAIG's group-wide actuarial policy should focus on group-wide reporting requirements both for internal management purposes and for reporting and disclosure purposes.</p>	<p>Wording slightly improved.</p>
<p>Guideline M2E4-7-2-2 The framework for determining assumptions to be used in valuations should include:</p> <ul style="list-style-type: none"> • a process of incorporating the actual experience of the IAIG/ insurance entities in determining assumptions • a process of developing assumptions if the IAIG does not have enough direct experience in a particular business line or market to use its own experience to develop valuation assumptions. 	<p>N/A</p>	<p>Covered in CF 16.7d.</p>
<p>Parameter M2E4-7-3 The group-wide actuarial policy requires an annual actuarial opinion, report, advice or review (whether certified or not) to be provided to the Governing Body. The actuarial opinion, report, advice or review covers at least the following subjects:</p> <ul style="list-style-type: none"> • a prospective analysis of the financial situation of the IAIG which goes 	<p>CF 16.7e The group-wide supervisor requires the group-wide actuarial function, as part of the ERM framework, to issue an annual group-wide actuarial opinion, report, advice or review (whether certified or not) to the IAIG Board that covers at least the following:</p> <ul style="list-style-type: none"> • a prospective analysis of the financial situation of the IAIG which goes 	<p>Wording slightly improved.</p>

<p>beyond the current balance sheet of the IAIG</p> <ul style="list-style-type: none"> • the reliability and sufficiency of the technical provisions • the adequacy of reinsurance credit for technical provisions • consideration of non-insurance entities and non-regulated entities 	<p>beyond the current balance sheet of the IAIG;</p> <ul style="list-style-type: none"> • the reliability and sufficiency of the technical provisions; • the adequacy of reinsurance credit for technical provisions; and • consideration of non-insurance entities and non-regulated entities. 	
<p>Guideline M2E4-7-3-1 The IAIG may use the underlying actuarial reports submitted locally by the individual insurance entities as input to its annual actuarial opinion, report, advice or review to the Governing Body. Further examples of issues that could be addressed in the annual actuarial opinion, report, advice or review include:</p> <ul style="list-style-type: none"> • the assumptions used by all of the insurance entities in the group and the consolidation/aggregation method applied at the group level • the methodologies used to determine current estimates by each insurance entity and the consolidation/aggregation method applied at the group level • the methodologies used to determine the margin over current estimate (MOCE)s by each insurance entity and the consolidation/aggregation method applied at the group level 	<p>CF 16.7e.2 The IAIG may use the underlying actuarial reports submitted by the individual insurance legal entities as input to its annual group-wide actuarial opinion, report, advice or review to the IAIG Board. Further examples of issues that could be addressed in the annual group-wide actuarial opinion, report, advice or review include:</p> <ul style="list-style-type: none"> • the assumptions used by all of the insurance legal entities in the group and the consolidation/aggregation method applied at the group level; • the methodologies used to determine current estimates by each insurance legal entity and the consolidation/aggregation method applied at the group level; • the methodologies used to determine the margin over current estimate (MOCE) by each insurance legal entity and the consolidation/aggregation method applied at the group level; 	<p>Wording slightly improved.</p>

<ul style="list-style-type: none"> • the availability and appropriateness of data used in valuations • back testing of assumptions and valuations • uncertainty in current estimates used by both insurance entities and the aggregated/consolidated group level • the adequacy of pricing, taking into account the underwriting policies, at the appropriate unit level and at the insurance entity level and the group level • the performance of the IAIG's insurance portfolios and analysis of any changes in business volumes, exposures, mix of business and pricing during the year • asset/liability management under the group-wide investment policy • suitability and adequacy of reinsurance/risk transfer arrangements taking into account the strategies for underwriting and claims management as well as the overall financial condition of the IAIG and the Governing Body's risk tolerance • the extent to which the actuary relies on the values provided by non-insurance entities. 	<ul style="list-style-type: none"> • the availability and appropriateness of data used in valuations; • back testing of assumptions and valuations; • uncertainty in current estimates used by both insurance legal entities and the aggregated/consolidated group level; • the adequacy of pricing, taking into account the underwriting policies, at the appropriate unit level and at the insurance legal entity level and the group level; • the performance of the IAIG's insurance portfolios and analysis of any changes in business volumes, exposures, mix of business and pricing during the year; • asset/liability management under the group-wide investment policy; • suitability and adequacy of reinsurance/risk transfer arrangements taking into account the strategies for underwriting and claims management as well as the overall financial condition and risk appetite of the IAIG; and • the extent to which values provided by non-insurance entities are relied upon. 	
<p>Guideline M2E4-7-3-2 The IAIG should obtain an analysis of the current and future financial condition of</p>	<p>CF 16.7e.1 The IAIG Board should obtain an analysis of the current and future financial condition of</p>	<p>Wording slightly improved.</p>

<p>the IAIG given recent experience and the group-wide underwriting policy, group-wide claims management policy, reinsurance strategy and group-wide investment policy.</p>	<p>the IAIG given recent experience and the group-wide underwriting policy, group-wide claims management policy, reinsurance strategy and group-wide investment policy.</p>	
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