



# IAIS

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

**Public**

## Compiled Comments on *Consultation on the Draft Application Paper on Group Corporate Governance* with resolutions

Organisation	Jurisdiction	Confidential	Answer	Resolution of comments
<b>1 - Q1 General comment on the draft Application Paper</b>				
1. Insurance Europe	Europe	No	<p>Insurance Europe appreciates the opportunity to provide comments on the draft Application Paper on Group Corporate Governance and supports the objective of enhancing the development of a common understanding amongst supervisors in relation to governance frameworks of insurance groups. Insurance Europe is further supportive of the IAIS' recognition of the effective operation of a range of centralised and de-centralised governance frameworks within industry, and that no one particular framework is preferable to another.</p> <p>Clear delineation between ICP framework and application paper</p> <p>Several of the good practices and recommendations in the draft application paper include direct or implicit regulatory requirements for insurers/groups. It is Insurance Europe's understanding that it was the intention of the IAIS not to set any new standards (as set out in paragraph 1 of the draft application paper – "it does not set new standards.") yet throughout the text the IAIS sets out overly-granular recommendations which are in fact new standards. Insurance Europe would therefore encourage the IAIS to clearly separate recommendations for supervisors from obligations for insurers/groups (which already exist) and to remove new standards for insurers/groups. The latter should be subject of the regulatory framework for insurers/groups, ie ICPs and ComFrame, and should only be referenced in the application paper where necessary.</p> <p>Flexibility regarding variety of group structures</p> <p>Insurance Europe appreciates the flexibility the application paper offers with regard to centralised-decentralised or hybrid group governance frameworks, as established during the consultation on the respective 2014 Issues Paper. The IAIS is however encouraged to identify ways to further enhance the paper's clarity and structure as to the varying degrees of intensity of supervisory oversight and intervention applicable to the various governance frameworks. In particular, the text frequently moves rapidly between centralised, decentralised and hybrid forms</p>	<p>Noted.</p> <p>Noted. The content of the Application Paper has been verified and reworded where needed. In addition, reference to relevant ICPs has been added where relevant, in order to make clear that a particular wording is a reference to existing requirements.</p> <p>It was not the intention of the IAIS to indicate that there is a link between intensity of supervision and the approach to the governance framework. The former depends rather on significance of non-compliance of this framework with legal and regulatory requirements.</p>

			<p>of governance at the risk of losing clarity. Further, the level of granularity may undermine the flexibility of the document.</p> <p>Appropriate acknowledgment of “group interest”</p> <p>The notion of “group interest” should be introduced and feature more prominently across the sections. The application paper in its current form provides hardly any guidance as to the question of how conflicting views and/or interests of the group and its subsidiaries can be resolved or balanced. Accordingly, Insurance Europe proposes to also recognise the notion of “group interest” in the application paper, acknowledging that directors of subsidiaries should be allowed to reasonably take the parent’s interest into account without violating their fiduciary duties toward their subsidiary. This would provide enhanced flexibility for management of groups especially on a cross-border basis, and would provide directors with comfort in potential conflicts of interest when taking directions from the parent board.</p>	<p>As regards the last point, the intention was to make a specific reference to different approaches to corporate governance where relevant, in addition to considerations applicable to all forms of corporate governance.</p> <p>The IAIS does not advocate for any specific model of corporate governance. The IAIS aims at ensuring a proper balance in this regard, having in mind an objective of insurance supervision, which is protection of the interests of policyholders.</p> <p>The IAIS understands that the notion of “group interests” is being recognized in some jurisdictions and supervisory authorities from those jurisdictions take into consideration relevant legal provisions when carrying out insurance supervision. In this context, paragraph 36 recognizes that the key challenges in setting the group objectives and strategies include balancing the needs and interests of the group as a whole with those of insurance legal entities within the group, as well as ensuring that entities at all levels in the group are able to comply with relevant jurisdictional requirements.</p>
2. Global Federation of Insurance Associations	Global	No	<p>We welcome the opportunity to comment on the Application Paper. IAIS Application Papers provide examples and illustrations of good practice; however, sometimes the wording used in this paper reads more prescriptive and granular than likely intended. This runs the risk of leading to supervisory overreach caused by such language that would blur the line between the insurance entity and the supervisor.</p>	<p>Noted. The content of the Application Paper has been verified and reworded where needed. In addition, reference to relevant ICPs has been added where relevant, in order to make clear that a particular wording is a reference to existing requirements.</p>

		<p>It is the intention of the IAIS not to set any new standards: “it does not set new standards” (paragraph 1 of the draft Application Paper). Yet throughout the text the IAIS sets out overly granular recommendations which are in fact new standards. Often “should” is used when “may” would be more appropriate to illustrate potential supervisory approaches.</p> <p>Additionally, groups can vary greatly, but sometimes examples provided which may be applicable in certain circumstances read as if they would be good practice for all groups. Thus, it is important that when a good practice is provided, the context for such a practice is also provided; otherwise, some of the examples come across as one-size-fits-all, which is contrary to the purpose of an Application Paper.</p> <p>We support the notion of this Application Paper to allow for a variety in approaches to group governance structure between the two extremes of more centralized and more decentralized. The paper includes some examples that fit in a more centralized model without clear reference to its preference to a more centralized model, therefore we would suggest to clearly indicate such preferences by adding some language to avoid overshooting. Examples include the first bullet of paragraph 81, and third sentence of paragraph 91.</p> <p>We appreciate the clear recognition in the document that there is no one-size-fits-all approach to the organization and governance of insurers, and the effort made to address different approaches to the governance of groups. One general observation is that several good practices and recommendations include direct or implicit regulatory requirements for insurers/groups. In paragraph 1 the IAIS mentions the intention not to set any new standards. We would therefore encourage the IAIS to clearly separate recommendations for supervisors from obligations for insurers/groups. The latter should be subject of the regulatory framework for insurers/groups, i.e. ICPs and ComFrame, and should only be referenced in the application paper where necessary.</p> <p>There should be greater emphasis on proportionality. The paper purports to apply to insurance groups generally (paragraph 2) but mainly provides for flexibility on</p>	<p>“Should” is commonly used across IAIS materials as an indication of guidance – not a requirement. Its use in the Application Paper does not imply a requirement or a standard, but a good practice.</p> <p>It is up to supervisors to decide whether and how to apply good practices described in this application paper, depending on a particular case. It is not the intention of the IAIS to capture all possible variations of different situations described in the Application Paper.</p> <p>Noted.</p> <p>Noted. The content of the Application Paper has been verified and reworded where necessary. In addition, reference to relevant ICPs has been added where relevant, in order to make clear that a particular wording is a reference to existing requirements.</p> <p>The concept of proportionality is an underlying concept of ICPs and as such it is applicable also</p>
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			<p>approaches across centralized versus decentralized structures, rather than for small groups versus complex conglomerates.</p> <p>A further general comment is that the paper refers in a number of areas to meetings with the Board and supervisors (e.g. para 19/24 on information exchange par 31 on strategy etc.). It should be made clear that it is not the intention that this engagement takes place through supervisory participation in Board meetings which would not be appropriate.</p> <p>As a final general comment, the Application Paper should maintain a group perspective. Throughout the Application Paper, there are frequent recommendations or directives to the group wide supervisor to take actions with respect to the legal entities within the group. However, the group-wide supervisor may not have the authority to take such actions under local law. Since the Application Paper is intended to provide guidance on group corporate governance matters, the language of the Application Paper should maintain a group perspective, should avoid directives to the legal entities's supervisors, and should be flexible enough to be used in any jurisdiction.</p>	<p>to the content of the Application Paper. However, proportionality is a different concept than the issue of the centralised and the decentralised models of governance, which is specific to supervision of corporate governance in insurance groups.</p> <p>It was not the intention to suggest supervisory participation in the Board meeting, but to suggest organization of dedicated meetings between the Board and the supervisory authority.</p> <p>Noted. The content of the Application Paper has been verified and reworded where necessary.</p>
3. AIA Group	Hong Kong	No	<p>We appreciate the opportunity to comment on the Draft Application Paper on Group Corporate Governance. We agree that the goal of creating a common understanding on how to assess the governance frameworks of insurance groups designated as Internationally Active Insurance Groups ("IAIGs") is important in implementing a common framework for supervising IAIGs. This common understanding should also be broadened to encompass taking in the views of IAIGs while keeping as an overall principle that no new requirements or standards should be imposed by this Draft Application Paper.</p> <p>In addition, language used in the Draft Application Paper should not imply a requirement that supervisors must take certain steps in respect of their supervision of IAIGs rather than this Draft Application Paper is only intended to provide guidance on this topic. It is our view that each IAIG is different. Variations arise for</p>	<p>Noted. The intention of this Application Paper is to provide a proposal for good supervisory practices in order to facilitate practical application of relevant supervisory material. It is not intended to create new standards.</p> <p>Even though this Application Paper might be particularly useful for supervision of insurance groups with international activity, especially as regards supervisory cooperation and coordination, it is applicable to all insurance groups, including those operating in one jurisdiction.</p>

			<p>instance due to the nature of business that each IAIG conducts and the place where such business is conducted. Supervisors should have a discretion to regulate IAIGs as the circumstances require and no one solution may fit all IAIGs otherwise unintended consequences may ensue.</p> <p>It is also important that supervisors recognise that work performed by them will be impacted by the legal and regulatory frameworks of the jurisdictions where the insurance group operates, which may vary considerably. As such, work conducted by supervisors should not go beyond the authority of any supervisor or exceed the legal framework that exists in a particular jurisdiction.</p> <p>We have made various comments on the Application Paper but a couple of general comments to highlight are that it is our view that it is critical that regulators involve and engage with an IAIG on any significant issue related to corporate governance and that the legal framework for the sharing of information should prohibit any disclosure of non-public company information to any recipient unless the proposed recipient agrees, and the relevant authority agrees to keep the information confidential and to protect it from disclosure except where required by a court of competent jurisdiction or by law.</p> <p>We look forward to receiving the conclusions of this consultation and welcome continued discussion and dialogue on this topic.</p>	
4. International Actuarial Association	International	No	<p>These comments have been prepared by the Insurance Regulations Committee of the International Actuarial Association's (IAA). The comments have not been subject to the due process required for it to constitute a formal view of the IAA.</p> <p>The Insurance Regulation Committee (IRC) of the IAA believes this draft Application Paper (AP) is a very useful addition to the combination of ICP's and Comframe in addressing the theme of group supervision. Group supervision standards and guidance are currently expressed in both the ICP's for all insurance groups and an additional layer is provided through Comframe for IAIG's. However, as is well known, the continuum of issues involved in group supervision, for groups both large and small, is not adequately captured in the current combination of current ICP's and Comframe. The IRC believes that the AP will be useful to narrow the range of supervisory interpretation and practice.</p> <p>The IRC has several suggestions for improving the AP which are included in this submission.</p>	<p>Noted.</p> <p>Noted.</p>

		<p>To fully address, with clarity, the range of issues related to the theme of group supervision, the IRC believes that:</p> <ul style="list-style-type: none"> <li>• The IAIS is moving in the right direction to enhance the alignment of Comframe and ICP language; we look forward to commenting on the consultation package to be issued for comment by June 1.</li> <li>• The IAIS needs to enhance the ICP language so that the requirements for legal entity versus group supervision are sufficiently clear in the ICP's.</li> </ul> <p>The IRC suggests that the current AP can be improved in the following areas:</p> <ul style="list-style-type: none"> <li>• Centralization/decentralization - The AP properly identifies that a range of centralized/decentralized governance and control structures may be utilized in a group and that supervisors should be prepared to assess their effectiveness, no matter where a group is positioned within the range. Unfortunately, the AP references to this topic are used repetitively throughout the paper and reduce the paper's readability. It is suggested that some of the references to centralization/decentralization be unified in some fashion to improve the paper's readability.</li> <li>• Linkages and interconnectedness issues in groups – The AP discussion of centralization/decentralization issues within a group fails to discuss several important practical topics related to the many types of linkages that can exist within an insurance group. A reference which may be useful to the IAIS is the IAA Risk Book chapter entitled “Addressing the Consequences of Insurance Groups”.</li> <li>• Supervisory intensity – A topic within group supervision which may be missing from the AP is the need for differing levels of supervisory intensity that may need to be applied to groups. When there is an excellent exchange of information between a group and all its entities and involved supervisors, the work of those supervisors can be streamlined. This has obvious benefits for the insurance group by minimizing the costs of supervision. On the other hand, to the extent that the opposite is true, greater supervisory intensity (e.g., perhaps additional on-site supervision) will be required.</li> <li>• Effective supervision - A reference in the AP (paragraph 72) may lead the supervisor to believe that the presence of adequate documentation is all that is required to assess risk management (or perhaps even group supervision). The AP should correct this impression and refer to the range of normal supervisory approaches regarding the need to bring together a review of documentation,</li> </ul>	<p>Noted.</p> <p>Noted. The content of the Application Paper has been verified and reworded where necessary. However, in some cases it was not possible to make a general comment applicable to all relevant parts of the paper thus some repetitions were unavoidable in order to make some parts of the Application Paper self-explanatory and to address particular issues in a comprehensive manner.</p> <p>Noted. The Application Paper focuses on the aspects of supervisory cooperation and coordination which are most relevant for supervision of group corporate governance. For more general consideration about supervisory cooperation and coordination in colleges, please refer to the Application Paper on Supervisory Colleges, published by the IAIS in 2014.</p> <p>The Application Paper refers to documentation in different places, as part of some supervisory practices, in order to highlight its role in supervision in some areas of group corporate governance. This is not the intention of the IAIS</p>
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5. General Insurance Association of Japan	Japan	No	<p>We, the General Insurance Association of Japan, are grateful for this opportunity to comment on the Draft Application Paper on Group Corporate Governance (hereinafter referred to as "AP").</p> <p>We believe the AP would be beneficial in enabling insurance groups to deepen their understanding of how supervisors assess or evaluate the governance frameworks of insurance groups, and thereby contribute to improving their corporate governance.</p> <p>We understand that the AP is intended to provide good supervisory practices and examples on governance of insurance groups and not to set new standards.</p> <p>However, we note that the AP contains in it phrases and expressions which are somewhat too prescriptive. In particular, “should” is often used in sentences where “may” is more appropriate. Such sentences should be amended accordingly.</p>	<p>Noted.</p> <p>Noted.</p> <p>“Should” is commonly used across the IAIS materials as an indication of guidance – not a requirement. Its use in the Application Paper does not imply a requirement or standard.</p>



			<p>As insurance groups have different structures, objectives, strategies and policies, good supervisory practices provided in the AP are not always appropriate for all insurance groups. Therefore, the AP should expressly state that, in terms of actual supervision and operation of insurance colleges, the contents of the AP are not uniformly applicable to all insurance groups, and individual parts of the AP are not binding.</p> <p>There are several parts in the AP where the roles of the group-wide supervisor and those of involved supervisors overlap. In order for supervisors and insurance groups to respond to the challenges of group governance more effectively and efficiently, it is appropriate to further verify the roles of the group-wide supervisor and involved supervisors.</p>	<p>It is up to supervisors to decide whether and how to apply good practices described in this Application Paper, depending on a particular case. It is not the intention of the IAIS to capture all possible variations of different situations described in the Application Paper. The nature and the purpose of the IAIS Application Papers are clearly defined on page 2.</p> <p>Noted, the relevant parts of the Application Paper have been verified and revised if necessary to clarify the role of the group-wide supervisor and other involved supervisors.</p>
6. Swiss Re	Switzerland	No	<p>Kindly note this is a joint submission by Swiss Re and Zurich Insurance Group.</p> <p>1) Swiss Re welcomes the flexibility the Application Paper (AP) offers with regard to centralized-decentralized or hybrid group governance frameworks, as established during the consultation on the 2014 Issues Paper on Approaches to Group Corporate Governance. The IAIS may however identify ways to further enhance the AP's clarity and structure as to the varying degrees of intensity of supervisory oversight and intervention applicable to the different governance frameworks; for instance, the text frequently and rapidly moves between centralized, decentralized and hybrid forms of governance.</p> <p>2) In order to improve the alignment and consistency of provisions on group corporate governance, in particular with the BCBS Corporate Governance Principles 2015 (Principle 5: Governance of group structures, Parent company boards, Provisions 95 and in particular 96 in <a href="http://www.bis.org/bcbs/publ/d328.pdf">http://www.bis.org/bcbs/publ/d328.pdf</a>), it seems important for the IAIS to endorse and position the notion of "group interest" more prominently. The AP in its current form does hardly provide any guidance as to the question of how conflicting views</p>	<p>See response to comment 1 on flexibility regarding variety of group structures.</p> <p>The IAIS does not advocate for any specific model of corporate governance. The IAIS aims at ensuring a proper balance in this regard, having in mind an objective of insurance supervision, which is protection of the interests of policyholders. See comment 1 response regarding group interest.</p>

			<p>and/or interests of the group and its subsidiaries can be resolved or balanced. The BCBS Corporate Governance Principles, instead, provide a straightforward approach by highlighting that group interest should be appropriately considered in such conflicting situations.</p> <p>Accordingly, Swiss Re proposes that the IAIS recognizes the notion of group interest in insurance too. This can be achieved in the AP, by acknowledging that directors of subsidiaries should be allowed to reasonably take the parent's interest into account without violating their fiduciary duties toward their subsidiary. This would provide enhanced flexibility for management of groups especially on a cross-border basis, and provide directors with comfort in potential conflicts of interest when taking directions from the parent board.</p> <p>3) With due consideration for the overarching nature and importance of governance and group corporate governance specifically, Swiss Re sees no particular reason for a different treatment of banks and insurers, i.e. for deviating from the achievements in the BCBS Corporate Governance Principles; group corporate governance is equally valid for all financial institutions, specifically both the banking and the insurance sectors. Accordingly to be on a par with the BCBS, the IAIS should consider adopting the notion of group interest in ICP 7 on Corporate Governance, and develop it further, from a supervisory practice angle, in the AP</p>	As above.
7. The Geneva Association	Switzerland	No	<p>1) The Geneva Association appreciates the non-prescriptiveness the Application Paper on Group Corporate Governance (AP) offers with regard to centralized-decentralized or hybrid group governance frameworks, as established during the consultation on the respective 2014 Issues Paper.</p> <p>However, it should be considered to enhance the paper's clarity and structure as to the varying degrees of intensity of supervisory oversight and intervention applicable to the different governance frameworks, in particular, the text frequently moves rapidly between centralized, decentralized and hybrid forms of governance.</p> <p>2) In order to improve the alignment and consistency of provisions on group corporate governance, in particular with the BCBS Corporate Governance Principles 2015 (<a href="http://www.bis.org/bcbs/publ/d328.pdf">http://www.bis.org/bcbs/publ/d328.pdf</a>), it seems important for the IAIS to position the notion of group interest more prominently.</p>	<p>See response to comment 1 on flexibility regarding variety of group structures.</p> <p>See comment 1 response regarding group interest.</p>

		<p>We propose to also recognize the notion of "group interest" in the AP, acknowledging that directors of subsidiaries should be allowed to reasonably take the parent's interest into account without violating their fiduciary duties toward their subsidiary. This would provide enhanced flexibility for management of groups especially on a cross-border basis, and provide directors with comfort in potential conflicts of interest when taking directions from the parent board.</p> <p>3) We see no reason for a deviation from the BCBS Corporate Governance Principles since the recognition of group interest is of an overarching nature and importance for corporate groups and thus equally valid for all financial institutions, specifically both the banking and the insurance sectors. Accordingly to be on a par with the BCBS, the IAIS should consider adopting the notion of group interest in ICP 7 on Corporate Governance, and develop it in the AP.</p> <p>4) The paper sets out extensive guidance regarding the supervisory assessment of appropriateness and sustainability of group's objectives (para 30). It further states that this assessment should be supplemented with continuous monitoring of the group through discussions with Boards and Senior Management and refers specifically to an assessment of Board reviews of significant new business initiatives (para 31). It should be made clear that the supervisory assessment of these elements should be in the context of ensuring that the firm continues to comply with the laws and regulation to which it is subject, rather than a wider supervisory remit on the assessment of firm strategy and objectives.</p> <p>5) In a number of places the paper refers to potential conflicts of interest between the group and a local entity. Paragraph 33 states that two challenges in setting group objectives and strategy are 1) balancing the needs and interests of the group as a whole with those of insurance legal entities within the group; and 2) ensuring that entities at all levels in the group are able to comply with relevant jurisdictional requirements. The first challenge does not properly recognise that in the case of centralised groups, the local entity will exist specifically for the purposes of achieving the group strategy and objectives. More specifically there</p>	<p>See comment 1 response regarding group interest.</p> <p>The Application Paper has been further revised to make it clear. See for example paras. 33 and 34.</p> <p>See response to comment 1 regarding group interest.</p>
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			<p>will be a common group interest which is aligning the needs and interests of the group and the local entity. The role of the local Board and governance is to ensure the integrity of the local balance sheet and that all local regulations are being satisfied, rather than setting objectives and strategy which are separate to or could conflict with those of the group.</p> <p>6) In a (rather) decentralized model, a corporate group forms an integrated economic unit; it is more than merely the sum of its parts. Locally empowered subsidiaries benefit from a group's ability to draw on economies of scope and economies of scale, its global brand, and its concentrated expertise and know-how. Therefore, all of a group's subsidiaries as independent legal entities, subject to local legislation and supervised by local regulators, still need to appropriately consider the interest of the group in conflicting situations since this encompasses their own corporate interests.</p> <p>7) The paper refers in a number of areas to meetings with the Board and supervisors (e.g. para 19/24 on information exchange par 31 on strategy etc.). It should be made clear that it is not the intention that this engagement takes place through supervisory participation in Board meetings which would not be appropriate.</p> <p>Please note that we will submit these comments also as a PDF document via email. In some cases we suggested edits to language, using track-changes in word. These went lost when inserting the text in the response tool.</p>	<p>See response to comment 1 regarding group interest.</p> <p>It was not the intention to suggest supervisory participation in the Board meeting, but to suggest organization of dedicated meetings between the Board and the supervisory authority.</p> <p>Noted.</p>
8. Zurich Insurance Company Ltd.	Switzerland	No	<p>Kindly note this is a joint submission by Swiss Re and Zurich Insurance Group.</p> <p>1) Zurich welcomes the flexibility the Application Paper (AP) offers with regard to centralized-decentralized or hybrid group governance frameworks, as established during the consultation on the 2014 Issues Paper on Approaches to Group Corporate Governance.</p> <p>The IAIS may however identify ways to further enhance the AP's clarity and structure as to the varying degrees of intensity of supervisory oversight and intervention applicable to the different governance frameworks; for instance, the text frequently and rapidly moves between centralized, decentralized and hybrid forms of governance.</p>	<p>See response to comment 1 on flexibility regarding variety of group structures and group interest.</p>

			<p>2) In order to improve the alignment and consistency of provisions on group corporate governance, in particular with the BCBS Corporate Governance Principles 2015 (Principle 5: Governance of group structures, Parent company boards, Provisions 95 and in particular 96 in <a href="http://www.bis.org/bcbs/publ/d328.pdf">http://www.bis.org/bcbs/publ/d328.pdf</a>), it seems important for the IAIS to endorse and position the notion of “group interest” more prominently.</p> <p>The AP in its current form does hardly provide any guidance as to the question of how conflicting views and/or interests of the group and its subsidiaries can be resolved or balanced. The BCBS Corporate Governance Principles, instead, provide a straightforward approach by highlighting that group interest should be appropriately considered in such conflicting situations.</p> <p>Accordingly, Zurich proposes that the IAIS recognizes the notion of group interest in insurance too. This can be achieved in the AP, by acknowledging that directors of subsidiaries should be allowed to reasonably take the parent’s interest into account without violating their fiduciary duties toward their subsidiary. This would provide enhanced flexibility for management of groups especially on a cross-border basis, and provide directors with comfort in potential conflicts of interest when taking directions from the parent board.</p> <p>3) With due consideration for the overarching nature and importance of governance and group corporate governance specifically, Zurich sees no particular reason for a different treatment of banks and insurers, i.e. for deviating from the achievements in the BCBS Corporate Governance Principles; group corporate governance is equally valid for all financial institutions, specifically both the banking and the insurance sectors.</p> <p>Accordingly to be on a par with the BCBS, the IAIS should consider adopting the notion of group interest in ICP 7 on Corporate Governance, and develop it further, from a supervisory practice angle, in the AP.</p>	
9. ICMIF	UK	No	<p>ICMIF welcomes the opportunity to comment on the Application Paper on Group Corporate Governance and agrees there are specific challenges linked to the group structure which merit a common understanding by supervisors. It thus endorses the IAIS’ objectives of creating a common understanding of the principles of good corporate governance within groups across all jurisdictions. ICMIF is a federation of 290 organizations in 74 countries, representing 6.8% of the global insurance market (by premium income). In2014, ICMIF members</p>	<p>Noted.</p> <p>This Application Paper does not intend to address specificities of the groups consisting of mutual.</p> <p>It has been clarified in the Introduction to the Application Paper that this Application Paper is based on the premise that good governance is</p>

		<p>collectively wrote USD 268 billion in insurance premiums, split 50:50 between life and non-life insurance. ICMIF members serve over 285 million members/policyholders and employ over 230,000 people worldwide. ICMIF members range from large market leaders to niche, affinity-based insurers, and most are small/medium-size. Only a few are set up as groups or financial conglomerates; one of the reasons for this being that the lack of enabling instruments in most jurisdictions.</p> <p>Most national legislations (such as Sweden) do not provide any legal tools for a mutual insurer wanting to develop and to organise itself into several entities, to retain the mutual corporate form for its subsidiaries.</p> <p>Some jurisdictions however, such as the US, Germany and France, have grouping instruments for mutual undertakings.</p> <p>In the US, the mutual holding company (MHC) exists since 1987 pursuant to the Competitive Equality Banking Act. The MHC manages to combine the characteristics of a mutual and a stock company by retaining mutual characteristics such as the governance, the sense for community and the long term focus, while being able to issue common stock as Tier 1 capital. In a MHC, the policyholders of the daughter mutual companies have voting rights with respect to the mutual holding company. There are no shareholders, however, the holding company owns - directly or indirectly - all the other insurance entities in the group.</p> <p>In Germany, mutuals can integrate a horizontal group (Gleichordnungskonzern) that is a voluntary combination of legally independent companies under central management without financial inks. Central management and uniform direction are usually achieved by the presence of identical executive board members in all group companies (as far as legally permitted and approved by the insurance supervisor). According to § 7a I VAG the number of mandates in an executive board of an insurance company is generally restricted to two mandates per person.</p> <p>France is probably the jurisdiction where groupings of mutuals offer the widest choice. Enacted by an Ordinance on 29 August 2001, the "Société de Groupe d'Assurance mutuelle" - commonly known as SGAM - provides the potential to establish a group, whose holding structure reflects the mutualistic principles of governance and a non-exclusive focus on profit-making. The mutual group structure is open to all legal types of European insurance undertakings (PLCs, P&amp;C or health mutuals, cooperatives, paritarian organizations, pension providers or reinsurers), provided at least one of the organizations is headquartered in</p>	<p>achievable regardless of the particular model an insurance group adopts. This is in alignment with relevant ICPs, which provide guidance for insurers within groups, but do not include specific governance requirements relating to the structure of groups. No specific model is therefore prescribed in either the ICPs or this Application Paper. As such, this Application Paper should not be read as advocating any preference for a specific model.</p>
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			<p>France and thus compliant with the French insurance code.</p> <p>With the transposition of Solvency II, the French grouping structure has evolved into a tighter, more binding SGAM, with responsibilities incumbent upon the head of the group, each new SGAM requiring the approval of the prudential and anti-trust authorities.</p> <p>In parallel, the Solvency II transposition allowed the creation of a new, looser grouping of mutual insurers (GAM), not recognised as a group under Solvency II. Counterparts to the SGAM exist for health and provident mutual insurers: these are then called Union de groupe mutualiste (UGM) and Union mutualiste de groupe (UMG).</p> <p>Mutual insurance groups are a source of stability and financial strength in the countries where they are allowed. We strongly believe that the insurance market in general would greatly benefit from legislations giving mutual insurers the possibility to grow organically without having to give up their mutual characteristics.</p> <p>We welcome that the Application Paper refrains from proposing a 'one size fits all' approach to all insurance groups across the board. We also appreciate that the Paper clearly recognises the spectrum of governance structures and in particular, that it distinguishes between the centralised and decentralised approach to governance.</p> <p>That being said, in the absence of an appropriate legislation allowing mutual groups, we would like to see supervisors take the mutual groups' different aspects into consideration by applying the principle of proportionality.</p>	
10. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	<p>IAIS Application Papers provide examples and illustrations of good practice; however, sometimes the wording used in this paper reads more prescriptive than likely intended. Often "should" is used when "may" would be more appropriate to illustrate potential supervisory approaches. Additionally, groups can vary greatly, but sometimes examples provided that may be applicable in certain circumstances read as if they would be good practice for all groups. Thus it is important that when a good practice is provided, the context for such a practice is also provided; otherwise, some of the examples come across as one-size-fits-all, which is contrary to the purpose of an Application Paper. See our comments on para 106 for example.</p> <p>As part of the final review, suggest double checking the use of terminology, in</p>	<p>"Should" is commonly used across the IAIS materials as an indication of guidance – not a requirement. Its use in the Application Paper does not imply a requirement or standard.</p> <p>It is up to supervisors to decide whether and how to apply good practices described in this application paper, depending on a particular case. It is not the intention of the IAIS to capture all possible variations of different situations described in the paper.</p> <p>The Application Paper has been verified in terms of consistency of terminology and revised as necessary.</p>

			particular terms used in IAIS materials on groups (involved supervisors; group-wide supervisor; other involved supervisors).	
<b>2 - Q2 Comment on Paragraph 1</b>				
11. AIA Group	Hong Kong	No	Please see our response to Question 1.	Noted.
<b>3 - Q3 Comment on Paragraph 2</b>				
12. Insurance Europe	Europe	No	Insurance Europe notes that the good practices and recommendations established in the draft application paper are particularly relevant for supervisors of IAIGs. In that context, Insurance Europe would like to stress that under the proposed framework supervisors should be able to maintain sufficient levels of flexibility to apply the principle of proportionality in their supervision of insurance groups. As will be highlighted below, some of the proposed good practices and examples provided seem to suggest a stringent one-size-fits-all approach. As is mentioned several times in the draft and elaborated on in the October 2014 IAIS Issues Paper on Group Corporate Governance, Impact on Control Functions (Issues Paper), group models cannot be strictly defined. Overreliance on certain limited characteristics for the assessments of appropriateness of the governance structure chosen by the group may be inappropriate. The unique structure of a group should always be assessed with a holistic view.	Noted. Even though this Application Paper might be particularly useful for supervision of insurance groups with international activity, especially as regards supervisory cooperation and coordination, it is applicable to all insurance groups, including those operating in one jurisdiction. It is up to supervisors to decide whether and how to apply good practices described in this Application Paper, depending on a particular case. It is not the intention of the IAIS to capture all possible variations of different situations described in the Application Paper. The nature and the purpose of the IAIS Application Papers are clearly defined on page 2.
13. AIA Group	Hong Kong	No	Please see our response to Question 1.	Noted.
<b>4 - Q4 Comment on Paragraph 3</b>				
<b>5 - Q5 Comment on Paragraph 4</b>				
14. Insurance Europe	Europe	No	With reference to ICPs 7, 8 and, 25 Insurance Europe would like to emphasise upfront that all comments provided on the draft application paper may be subject to further refinement in the responses that will be submitted on the ongoing IAIS consultation on revised Insurance Core Principles (ICPs) and ComFrame material integrated with ICPs. Insurance Europe welcomes IAIS' acknowledgement during the public background call on 20 March that changes may need to be made to the application paper following the broader ICPs consultation.	Noted.



			While the IAIS has stated that the objective of the paper is not to set new standards, however and as indicated above (Q1), in Insurance Europe's view overarching supervisory guidance and good practices for application may in practice nevertheless lead to the implicit introduction of new or stricter requirements applicable to insurance groups.	
15. AIA Group	Hong Kong	No	It is our view that board composition of the head of an IAIG and insurance legal entities should be within the purview of and ultimately decided by the shareholders of such boards. It is common that regulators require controllers of insurance entities and directors of insurance entities to be fit and proper and this is accepted however supervisors should not dictate exactly who the board members are.	As stated earlier, it is not the intention to create new requirements in the areas listed in this paragraph, but to provide good practices on the basis of requirements already provided for in relevant ICPs.
<b>6 - Q6 Comment on Paragraph 5</b>				
16. Insurance Europe	Europe	No	Given the aim of this draft application paper is to provide good supervisory practices and examples, Insurance Europe would suggest that it would be more appropriate for this paragraph to set out the areas of challenge for supervisors rather than insurers/groups.	Agreed. The paragraph has been redrafted.
17. AIA Group	Hong Kong	No	As the October 2014 IAIS Issues Paper on Group Corporate Governance, Impact on Control Functions ("Issues Paper") is an input to the current Application Paper, we suggest that our comments to the IAIS on the Issues Paper be taken into consideration in this current Application Paper as well. For the purposes of the current Application Paper, we wish to highlight the observation in paragraph 6 of the Issues Paper which recognises that in practice few insurance groups will adopt in their entirety a purely centralised or a purely decentralised model and will, in practice, follow a hybrid approach somewhere between the two extremes. Sometimes both more centralised and more decentralised approaches are used within an insurance group. As such, this observation should also contextualise the guidance given in this Application Paper on Group Corporate Governance and we reiterate our general comment above that supervisors should have a discretion to deviate from the guidance given under the Application Paper and regulate as the circumstances require. We also suggest given the use of the guidance given in this Application Paper to centralised and decentralised approaches that a clarification be made in the Application Paper similar to the one made in paragraph 5 of the Issues Paper that	Agreed to add the following text (based on paragraphs 15 and 16 of the Issues Paper):  "This Application Paper is based on the premise that good governance is achievable regardless of the particular governance structure an insurance group adopts. While IAIS material describes different group structures, it does not prescribe that insurance groups use any particular approach. Accordingly, this Application Paper should not be read as advocating any preference for a specific approach."

			it is the insurance group's organisational choice to adopt a centralised or decentralised structure (or somewhere in between).	
<b>7 - Q7 Comment on Paragraph 6 (Paragraph 7 in the final version)</b>				
<b>8 - Q8 Comment on Paragraph 7 (Paragraph 8 in the final version)</b>				
<b>9 - Q9 Comment on Paragraph 8 (Paragraph 9 in the final version)</b>				
<b>10 - Q10 Comment on Paragraph 9 (Paragraph 10 in the final version)</b>				
<b>11 - Q11 Comment on Paragraph 10 (Paragraph 11 in the final version)</b>				
<b>12 - Q12 Comment on Paragraph 11 (Paragraph 12 in the final version)</b>				
<b>13 - Q13 Comment on Paragraph 12 (Paragraph 13 in the final version)</b>				
<b>14 - Q14 Comment on Paragraph 13 (Paragraph 14 in the final version)</b>				
<b>15 - Q15 General comments on Subsection 3.1 (Supervisory coordination and cooperation)</b>				
18. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The graphic on page 8 references "Cooperation Agreements" whereas section 3.1.1 references "Coordination agreements." Also, the graphic references review of minutes under impact of group structure, but there does not appear to be any reference to a review of board minutes within this section of the paper.	The reference to "Coordination Agreements" removed.  The review of the minutes of meetings is referred to in para. 29.
<b>16 - Q16 Comment on Paragraph 14 (Paragraph 15 in the final version)</b>				
<b>17 - Q17 Comment on Paragraph 15 (Paragraph 16 in the final version)</b>				
19. Insurance Europe	Europe	No	Insurance Europe agrees with the stated necessity for supervisors to understand the risks associated with the interrelationships, interconnections, and interdependencies between the different entities of the group. Insurance Europe strongly supports the objective of supervisory coordination.	Noted.
<b>18 - Q18 Comment on Paragraph 16 (Paragraph 17 in the final version)</b>				

20. Insurance Europe	Europe	No	<p>Insurance Europe recommends amending the third sentence of this paragraph to highlight the need for cooperation and coordination, ie “It is essential that supervisors work together to arrange adequate cooperation and coordination at all levels of the group as appropriate.”</p> <p>Where reference is made to paragraph 62 of the Issues Paper, it should be clarified that the range of appropriate supervisory activities and tools listed in lit. c and d only represent examples for supervisory coordination. The supervisory activities and tools available to the supervisor will be limited by the local regulatory framework that is applicable to the group. Especially relating to the collection of relevant information, on-site and off-site supervision and corrective measures, the group (and its individual entities) should be able to rely on the legal certainty stemming from the clear regulatory framework applicable.</p>	<p>Not agreed. There is no reason to change the wording (ie “supervisors should”).</p> <p>Not agreed. The Application Paper refers in this regard to a relevant part of the Issues Paper. It is not an intention to explain the content of the Issues Paper in the Application Paper. At the same time, we confirm that the list included in para. 62 of the Issues Paper is not exhaustive.</p>
21. Global Federation of Insurance Associations	Global	No	<p>In the second sentence, delete “MoUs”. MoUs establish a legal basis for information sharing and may reference acceptable methods of information sharing, but they are not a method of sharing information in and of themselves.</p> <p>Regardless of form, there should be a confidentiality agreement within a strict confidentiality regime that would apply to all forms of communication. And, there should be statutory language that insures that the supervisor cannot be required to disclose confidential information. Nor, may the information be used against the company.</p>	<p>The rules relating to sharing information by supervisory authorities and relevant confidentiality requirements are provided for in ICP 3, referred to in paragraph 19 of the Application Paper. It is not the intention to introduce new rules or deviate in any way from the rules established by ICP 3 in this Application Paper.</p> <p>“Confidentiality” was added to the picture on page 8, in order to highlight that this is a concept underlying exchange of information among supervisors. Also, second part of original paragraph 17 has been converted into a separate paragraph, in order to highlight importance of confidentiality (new paragraph 19).</p>
<b>19 - Q19 Comment on Paragraph 17 (split into Paragraphs 18 and 19 in the final version)</b>				
22. Insurance Europe	Europe	No	Insurance Europe agrees with the importance assigned to the existence of a strict confidentiality regime (as per ICP 3). All supervisors should be bound by a strict confidentiality regime, applicable to all forms of communication.	Noted.

			Further comments on this particular area will be provided by Insurance Europe in the response to the IAIS consultation on revised Insurance Core Principles (ICPs) and ComFrame material integrated with ICPs.	
<b>20 - Q20 Comment on Paragraph 18 (Paragraph 20 in the final version)</b>				
23. Insurance Europe	Europe	No	This paragraph refers to a MoU as a communication mechanism; MoUs are a means to facilitate the communication mechanisms mentioned, ie supervisory colleges and meetings. This paragraph should recognise that a confidentiality agreement should be put in place between supervisors surrounding the use of information that is shared. All supervisors should be bound by a strict confidentiality regime, applicable to all forms of communication.	See response to comment 21.
24. AIA Group	Hong Kong	No	We recognise that authorities need access to adequate and timely information to assess significant events that may affect an insurance group. As such, legal and operational systems need to be adapted for the exchange of information outside a regulator's jurisdiction. However, whether the information is used domestically or provided to a foreign authority, this should take into consideration and balance the need to protect the confidentiality of information, particularly since it is likely that the information required may be of a sensitive nature. Information should be shared which is absolutely required and to only those within each authority that requires it. The legal framework should prohibit any disclosure of non-public company information to any recipient unless the proposed recipient agrees, and the relevant authority agrees to keep the information confidential and protect it from disclosure except where required by a court of competent jurisdiction or by law. The legal framework should also require the recipient to provide notice to a company prior to any legally compelled disclosure of non-public company information. Moreover, no privileges or confidentiality associated with information provided by an authority or an insurance group should be waived as a result of sharing the information with another authority. Rules on information sharing should also address the period of retention of the information shared.	See response to comment 21.
26. Swiss Re	Switzerland	No	We take issue with the proposal that "informal" meetings should be an effective way to exchange information also including about significant events affecting the group, according to the last two sentences of para. 18. A simple way to address	Agreed. The paragraph has been reworded and it refers now to regular and ad-hoc means of

			the issue is to delete the reference to "informal", or, if that was the meaning, to replace it with "ad-hoc".	information exchange. It also provides an example of ad-hoc information exchange.
27. Zurich Insurance Company Ltd.	Switzerland	No	We take issue with the proposal that "informal" meetings should be an effective way to exchange information also including about significant events affecting the group, according to the last two sentences of para. 18. A simple way to address the issue is to delete the reference to "informal", or, if that was the meaning, to replace it with "ad-hoc".	Agreed, see response to comment 26.
28. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Second sentence, delete "MoUs". MoUs establish a legal basis for information sharing and may reference acceptable methods of information sharing, but they are not a method of sharing information in and of themselves.	Agreed.
<b>21 - Q21 Comment on Paragraph 19 (Paragraph 21 in the final version)</b>				
29. Insurance Europe	Europe	No	Again, Insurance Europe recommends a confidentiality agreement should be put in place between supervisors surrounding the use of information that is shared. All supervisors should be bound by a strict confidentiality regime, applicable to all forms of communication.  With respect to meetings between group entities and relevant supervisors, it should be made clear that the intention of the Paper is not to suggest that this engagement takes place through supervisory participation in Board meetings, as such a suggestion would not be appropriate.	See response to comment 21.
<b>22 - Q22 General comments on Subsection 3.2 (Objectives and strategies)</b>				
30. International Actuarial Association	International	No	In relation to Objectives and Strategies (O&S) in 3.2.1 the emphasis is on supervisors to determine and assess their sustainability. There is insufficient recognition that this is the responsibility of the Board and should be exhibited through the ORSA. Supervisors should be looking to critically review the Board's assessment of any systemic risks identified by the ORSA.	Agreed that this is a responsibility of the Board (as made clear in paragraphs 30 and 34). However, the main aim of the Application Paper is to provide supervisors with guidance so it is appropriate that the focus is on the work undertaken by supervisors in relation to the group's objectives and strategies. Therefore no change has been made to paragraph 22.

			Section 3.2.2 says it is good practice to require reporting on significant changes to O&S. This should be broadened to include changes to the group's risk profile and adequacy of capital resources so that it is possible to track whether these are expected to remain aligned.	Agree, but the focus of the Application Paper is on governance aspects. Therefore no change has been made to paragraph 22.
31. Dirección General de Seguros y Fondos de Pensiones	Spain	No	In its second sentence. Which is the exact meaning of the expression ...where appropriate...in this context? The type of issues mentioned need to be followed and solved between the supervisors involved in any case. In accordance with the previous the reference included---where appropriate--should be suppressed.	It is not clear to which part of the Application Paper this comment applies.
<b>23 - Q23 Comment on Paragraph 20 (Paragraph 22 in the final version)</b>				
32. Insurance Europe	Europe	No	This paragraph should be expanded to reference the need to guarantee strict confidentiality of the information shared between supervisors.	See response to comment 21.
33. Global Federation of Insurance Associations	Global	No	This paragraph should require a confidentiality agreement be put in place between supervisors surrounding the use of information that is shared.	See response to comment 21.
34. The Geneva Association	Switzerland	No	We would like to see some additional language inserted in this paragraph referencing the need to guarantee strict confidentiality of confidential supervisory information, perhaps through memoranda of understanding providing for confidential sharing of information about insurance groups and insurers between involved supervisors.	See response to comment 21.
<b>24 - Q24 Comment on Paragraph 21 (Paragraph 23 in the final version)</b>				
<b>25 - Q25 Comment on Paragraph 22 (Paragraph 24 in the final version)</b>				
35. Global Federation of Insurance Associations	Global	No	We would suggest amending the final sentence to make it clear it is recommending examples of fora at which issues can be resolved, not simply recommending that issues be resolved, e.g.: "Where such issues arise, these	The phrase "where appropriate" has been deleted.

			should be resolved at, for example, supervisory colleges or through bilateral discussions, where appropriate.”	
36. AIA Group	Hong Kong	No	If necessary, discussions relating to potential issues arising from group structures should involve the insurance group as active participants in order to gain a better understanding and resolution of a potential issue.	Agreed, but this paragraph is devoted to supervisory cooperation and cooperation. Interaction with the group itself is addressed in other parts of the Application Paper. Therefore no change has been made to this paragraph.
<b>26 - Q26 Comment on Paragraph 23 (Paragraph 25 in the final version)</b>				
37. Global Federation of Insurance Associations	Global	No	The example of multiple holding companies located in different jurisdictions is fairly common and may not necessarily lead to a complex group structure. Therefore, it may be appropriate to delete that example.	Not agreed. Not every group with multiple holding companies located in different jurisdiction needs to be considered as a complex structure, but some of those structures pose difficulties to have a clear view of the group structure and associated risks (that is why the wording “may make it difficult” has been used). However, other examples were added to the paragraph.
38. AIA Group	Hong Kong	No	When reviewing the group structure of an IAIG, supervisors should take the opportunity to discuss with the management of the IAIG in order to understand the nature of such structures. Again it is our view that each IAIG is different and there may particular reasons for having a certain group structure over another configuration.	Agreed, but this paragraph is devoted to supervisory cooperation and cooperation. Interaction with the group itself is addressed in other parts of the Application Paper and is also intended to be addressed in ComFrame. Therefore no change has been made to paragraph 23.
39. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The example of multiple holding companies located in different jurisdictions is fairly common and may not necessarily lead to a complex group structure. Therefore, it may be appropriate to provide other examples of issues that can result in complex group structures, such as affiliated reinsurance arrangements, shared services, etc.	Partly agreed. The example was kept but other examples were added to the paragraph.
<b>27 - Q27 Comment on Paragraph 24 (split into Paragraphs 26 and 27 in the final version)</b>				
40. Insurance Europe	Europe	No	Insurance Europe notes that the first sentence of this paragraph appears to put an obligation on insurers/groups to have sufficiently documented and transparent structures to enable effective group-wide supervision. The purpose of a group	Agreed to distinguish between more detailed information on the group structure prepared for

			<p>having sufficiently documented and transparent structures should also be applicable to the management of its business, and this should provide clarity to supervisors. Insurance Europe suggests amending this sentence to clarify that the supervisor should sufficiently document the group structure to reduce the likelihood of gaps or duplication, and enable effective supervision.</p> <p>This observation is based on Insurance Europe's understanding from paragraph 1 of the Application Paper that the Paper aims to provide examples of good practice to supervisors on how supervisory material may be implemented. The third sentence of Paragraph 24 lists a good practice for groups: "It is good practice for groups to document and make publicly available the group structure, updating this information when necessary."</p> <p>In order to avoid the spread of regulatory requirements over several policies which would significantly decrease legal certainty for all regulated entities, Insurance Europe would recommend deleting reference to such explicit practices and instead making reference to the relevant ICPs. A good example in the draft application paper would be paragraph 39 where direct reference is made to ICP 7.1.</p> <p>Insurance Europe also notes that it would not be appropriate to make detailed structure information available.</p>	<p>internal and supervisory purposes, and a simplified structure to be publicly disclosed.</p>
41. Global Federation of Insurance Associations	Global	No	<p>We suggest rephrasing the first sentence: "Insurance group structures should be sufficiently documented and transparent to manage the business, which in turn should provide clarity to insurance supervisors".</p> <p>The third sentence should be deleted or in the alternative, clarified in terms of the reason for making the group structure publicly available – while this may be appropriate at a high level, it would not be appropriate to make detailed structure information available.</p>	<p>Partly agreed. The text has been reworded to distinguish between more detailed information on the group structure prepared for internal and supervisory purposes, and a simplified structure to be publicly disclosed.</p>
<b>28 - Q28 Comment on Paragraph 25 (Paragraph 28 in the final version)</b>				
42. Insurance Europe	Europe	No	<p>As per the comments provided in the beginning (Qs 3 and 5), the requirements for approval or reporting of restructuring or ownership changes within groups should be the subject of clear regulatory requirements, and not take the form of supervisory practices within supervisory colleges. The recommendations to</p>	<p>Not agreed. Both approval and notification are considered to be a good practice. It is up to the relevant supervisory authority to decide which</p>



			approve actions or change owners do not reflect best practices everywhere. Potential thresholds should not be established in colleges in the form of supervisory practices that may vary from group to group, but should be set within an applicable regulatory framework (in the relevant jurisdiction) that provides sufficient legal certainty for the groups. Certainty of legal requirements is crucial, in order to plan any proposed changes to the group in the light of established regulatory frameworks, rather than less formal discussions between supervisors.	solution should be applied, taking into account also local regulatory framework.
43. Global Federation of Insurance Associations	Global	No	The recommendations to approve acquisitions or a change of owners do not reflect best practices everywhere and should be modified accordingly. The authority for approval/reporting of restructuring should be clearly stated in the law, not assumed, and not the result of supervisory practices within colleges of supervisors. Certainty of legal requirements is needed, in order to plan any proposed changes to the group in light of established regulatory frameworks, rather than less formal discussions between supervisors.	See response to comment 42.
44. AIA Group	Hong Kong	No	Any approval requirements should be pursuant to local legal requirements for approval.	See response to comment 42.
<b>29 - Q29 Comment on Paragraph 26 (Paragraph 29 in the final version)</b>				
45. Global Federation of Insurance Associations	Global	No	We suggest using wording that is more in line with an Application Paper: "...more supervisory attention may be necessary to ascertain whether these mechanisms are working effectively. Involved supervisors may assess the effectiveness..."	Agreed. The sentence has been reworded.
46. General Insurance Association of Japan	Japan	No	The subject should be "Group-wide supervisor" rather than "Involved supervisors".	The term "involved supervisors" includes "group-wide supervisor". Most of activities mentioned in this paragraph are led and coordinated by the group-wide supervisors, but in order to ensure efficient and well-informed group-wide supervision as well as supervision of insurance companies belonging to the group – engagement of other involved supervisors is considered to be a good practice.

47. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Suggest using wording that is more in line with an Application Paper: "...more supervisory attention may be necessary to ascertain whether these mechanisms are working effectively. Involved supervisors may assess the effectiveness..."	Agreed. The sentence has been reworded.
<b>30 - Q30 Comment on Paragraph 27 (Paragraph 30 in the final version)</b>				
48. Insurance Europe	Europe	No	Insurance Europe does not agree with the broad assertion in this paragraph that the Board should have responsibility for establishing group-level objectives and strategies. It is up to Senior Management to devise specific strategies and objectives which may be reviewed by the Board. The wording of paragraph 27 should therefore allow for more flexibility.	We accept that the practical development and implementation of objectives and strategies will be undertaken by Senior Management. Nevertheless it is for the Board to approve and keep under review the insurer's objectives and strategies. Therefore, it is ultimately a responsibility of the Board as recognized in ICP 7.2.
49. Global Federation of Insurance Associations	Global	No	The main role of the Board is to set overall direction and provide oversight. The role of the Board, as described in this paragraph, is too broad as it includes roles that are often performed by Senior Management, such as the development of strategies. This paragraph should be modified accordingly	See response to comment 48 above.
50. The Geneva Association	Switzerland	No	We do not agree with the assertion in this para that the Board should have responsibility for establishing group-level objectives and strategies. It is up to Senior Management to devise specific strategies and objectives which may be reviewed by the Board.	See response to comment 48 above.
51. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Footnote 13 – this text does not match ICP 7.2.	Agreed. The wording of the footnote has been changed to reflect the text.
<b>31 - Q31 Comment on Paragraph 28 (Paragraph 31 in the final version)</b>				
52. AIA Group	Hong Kong	No	Similar to comments above, discussions relating to potential issues arising from group-wide objectives and strategies should involve the insurance group as active participants in order to gain a better understanding and resolution of a potential issue.	This paragraph relates to the expectations on supervisors in respect of their understanding of an insurer's objectives and strategies. Therefore, while we agree that supervisors should involve the

				insurer in discussing and resolving issues this is not relevant in the context of this paragraph.
<b>32 - Q32 Comment on Paragraph 29 (Paragraph 32 in the final version)</b>				
<b>33 - Q33 Comment on Paragraph 30 (Paragraph 33 in the final version)</b>				
53. Insurance Europe	Europe	No	<p>Insurance Europe would respectfully suggest that the recommendation in the draft application paper that supervisors should determine the appropriateness and sustainability of the group's objectives and strategies and risks related may be too ambitious. Insurance Europe would agree that consistency between strategy and business plan (and risk appetite identified) is required (as also clarified in paragraph 32), however, it should remain a commercial decision what objectives a group sets for itself within its overarching business strategy. Whereas it may be appropriate for supervisors to review an insurance group's strategies and objectives as they relate to various risk factors such as liquidity, reserves and capital levels, it should be left to the company to set general business objectives and strategies.</p> <p>The first sentence of this paragraph should also be reworded to clarify the proposed roles of the group-wider supervisor, the involved supervisor(s), the insurance legal entities, and of the head of the group, in the preparation and review of these statements.</p>	We agree that it is a responsibility of the insurer to determine its business objectives. However, it is appropriate for supervisors to review documentation prepared by the insurer to ensure that these adequately reflect the agreed objectives and strategy and recognize the risks arising.
54. Global Federation of Insurance Associations	Global	No	<p>It should be recognized that it is a core management responsibility to set and implement objectives and strategies and that it should be the insurer's Board to oversee the implementation of objectives and strategies as is provided in ICP 7.2.</p> <p>The first sentence of this paragraph should be reworded to clarify the proposed roles of the group-wide supervisor, the involved supervisor(s), the insurance legal entities, and of the head of the group, in the preparation and review of these statements.</p> <p>This paragraph recommends the supervisor assess the appropriateness and sustainability of a group's objectives and strategies. We do not consider it appropriate for the supervisor to permit or deny objectives and strategies based on the supervisor's view of their sustainability. Therefore, the last three sentences</p>	See response to comment 53 above.

			<p>should be deleted or modified, as suggested above.</p> <p>In summary, it may be appropriate for supervisors to review an insurance group’s strategies and objectives as they relate to various risk factors such as liquidity, reserves and capital labels. However, it should be left to the company to set general business objectives and strategies.</p>	
55. The Life Insurance Association of Japan	Japan	No	<p>The fourth sentence of paragraph 30 states “the supervisors should assess these statements to determine the appropriateness and sustainability of the group’s objectives and strategies”. However, it should be recognized it is the core management’s responsibility to set and implement the group’s objectives and strategies, and the insurer’s Board oversees the implementation of insurer’s business objectives and strategies as is provided in ICP 7.2. As direct assessment of an insurance group’s objectives and strategies by the supervisors can hamper diversity and autonomy in its management, we would disagree with the draft statement “The supervisors should assess...”. All of those statements should be modified as “The supervisors should understand...”.</p>	See response to comment 53 above.
56. The Geneva Association	Switzerland	No	<p>This para speaks to supervisors’ role in reviewing an insurance group’s statements of strategies and objectives. At one point it reads “the supervisors should assess these statements [of strategies and objectives at the group and entity level] to determine the appropriateness and sustainability of the group’s objectives and strategies and risks related to or arising from such objectives and strategies”. We believe this para should be revised. It may be appropriate for supervisors’ to review an insurance group’s strategies and objectives as they relate to various risk factors such as liquidity, reserves and capital levels. However, it should be left to the company to set general business objectives and strategies.</p>	See response to comment 53 above.
57. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	<p>In the fourth sentence, it is not the role of the supervisor to determine the appropriateness of a group’s objectives and strategies. Suggest revising this to read: “The supervisors should review these statements to assess whether they adequately reflect the group’s objectives and strategies and risks related or arising from such objectives and strategies.”</p>	Agreed.
<b>34 - Q34 Comment on Paragraph 31 (Paragraph 34 in the final version)</b>				

58. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Some of the wording used in the first sentence is unclear – “continuous monitoring” and “private documents” are not terminology used in other IAIS material. Suggest revising this to read: “It is good practice to supplement these assessments with discussions with the relevant Boards and Senior Management within the group and/or review of both public documents (e.g., annual reports) and documents reported to the supervisor (e.g., business plans and ORSAs).”	Agreed.
<b>35 - Q35 General comments on Subsection 3.3 (Allocation of oversight and management responsibilities)</b>				
59. International Actuarial Association	International	No	<p>There appears to be a word missing in picture 3.3.1 - "..., Effectiveness of conflict-mitigating measures" in picture 3.3.1. If only "mitigating measure" is used, it may be read as a risk-mitigating measure. Para. 49 leads the reader to believe that here an effectiveness of conflict-mitigating measure is being discussed.</p> <p>It would be more helpful in section 3.3.2 if the AP focused on best practice options to mitigate the situation in which the interests of the group and the sub are not aligned. In this situation, there is a conflict of interest that arises for the group individuals who are on the sub board. For example, how would this situation be managed by the firm through (for example) an independent chairman, majority of non-group independent board members, etc.</p>	<p>Agreed to insert “of”.</p> <p>Issues related to conflicts of interest are addressed in other parts of the Application Paper. See for example paragraphs 29, 49, 52, 66.</p>
<b>36 - Q36 Comment on Paragraph 32 (Paragraph 35 in the final version)</b>				
60. Insurance Europe	Europe	No	<p>To enhance the application paper’s clarity and practical value with regard to the notion of group interest, it would be recommendable to include a provision specifically addressing the notion. Consequently, paragraph 32 could be amended by adding the following sentence:</p> <p>"[...] The group-wide supervisor should understand processes and controls that the group has in place to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions, in appropriate recognition of the interest of the group."</p> <p>Please refer to comments on para. 33.</p>	As regards “group interest”, see resolution of comment 1.
61. Swiss Re	Switzerland	No	To enhance the AP’s clarity and practical value with regard to the notion of group interest, it would be recommendable to also include provision no. 96 of the revised	As regards “group interest”, see resolution of comment 1.

			<p>BCBS Principles on Corporate Governance (<a href="http://www.bis.org/bcbs/publ/d328.pdf">http://www.bis.org/bcbs/publ/d328.pdf</a>). The last bullet specifically addresses the notion of group interest. Consequently, para. 32 of the AP could be amended by adding the following sentence:</p> <p>"[...] The (parent company's) Board should ensure that the group's corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions, in appropriate recognition of the interest of the group."</p> <p>Swiss Re sees no reason for a deviation from the BCBS Corporate Governance Principles since the recognition of group interest is of an overarching nature and importance for corporate groups and thus equally valid for all financial institutions, specifically both the banking and the insurance sectors.</p> <p>Kindly see the following comment on para. 33.</p>	
62. The Geneva Association	Switzerland	No	<p>To enhance the AP's clarity and practical value with regard to the notion of group interest, it would be recommendable to also include provision no. 96 of the revised BCBS Principles on Corporate Governance (<a href="http://www.bis.org/bcbs/publ/d328.pdf">http://www.bis.org/bcbs/publ/d328.pdf</a>). The last bullet specifically addresses the notion of group interest. Consequently, para. 32 could be amended by adding the following sentence:</p> <p>"[...] The (parent company's) Board should ensure that the group's corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions, in appropriate recognition of the interest of the group."</p> <p>The Geneva Association sees no reason for a deviation from the BCBS Corporate Governance Principles since the recognition of group interest is of an overarching nature and importance for corporate groups and thus equally valid for all financial institutions, specifically both the banking and the insurance sectors.</p>	As regards "group interest", see resolution of comment 1.

63. Zurich Insurance Company Ltd.	Switzerland	No	<p>To enhance the AP's clarity and practical value with regard to the notion of group interest, it would be recommendable to also include provision no. 96 of the revised BCBS Principles on Corporate Governance (<a href="http://www.bis.org/bcbs/publ/d328.pdf">http://www.bis.org/bcbs/publ/d328.pdf</a>). The last bullet specifically addresses the notion of group interest. Consequently, para. 32 of the AP could be amended by adding the following sentence:</p> <p>"[...] The (parent company's) Board should ensure that the group's corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions, in appropriate recognition of the interest of the group."</p> <p>Zurich sees no reason for a deviation from the BCBS Corporate Governance Principles since the recognition of group interest is of an overarching nature and importance for corporate groups and thus equally valid for all financial institutions, specifically both the banking and the insurance sectors.</p> <p>Kindly see the following comment on para. 33.</p>	As regards "group interest", see resolution of comment 1.
64. ICMIF	UK	No	<p>Solvency II is not clear regarding questions of the responsibility of different entities on group level. If a group consists of a holding company, the holding company is included in the group supervision. However some of the obligations on group level are put on a subsidiary that is an insurance undertaking and other obligations are put on different entities, including the holding company. The responsibility to fulfil demands of governance on group level has been pointed out as an obligation of the company at top of the group in some jurisdictions.</p> <p>In our opinion it is important that all group responsibilities are primarily fulfilled by the entity on top of a group when the group is owned by its customers or by mutual entities. This is significantly important when the owners are mutual and the subsidiaries are not. In many instances, the governance in a mutual group pursues other strategic goals than the ones of a regular commercial group. It is therefore important that the system of governance in mutual groups is transparent and that it allows a control of the group for the benefit of the shareholders/customers.</p>	Noted.

37 - Q37 Comment on Paragraph 33 (Paragraph 36 in the final version)				
65. Insurance Europe	Europe	No	<p>In paragraph 33, “balancing the needs and interests of the group as a whole with those of insurance legal entities within the group” is recognised as one of the two key challenges in setting group objectives and strategies. In practice, directors of subsidiaries can, and should be allowed to, reasonably take the parent’s interest into account without violating their fiduciary duties toward their subsidiary. Given this, it would be useful for this paragraph to include more concrete guidance and notion of “group interest”.</p> <p>Paragraph 33 could be amended by adding the following sentence:</p> <p>“[...] The group-wide supervisor should understand a group’s corporate governance framework and the extent to which this includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions. This should be done with appropriate recognition of the interest of the group.”</p> <p>In addition to the enhanced flexibility for group management, especially on a cross-border basis, recognising the importance of group interest in the parent-subsi-dary context would support the implementation of group-wide strategic planning, operational efficiency, and corporate decision-making processes. It would help multinational groups to deal with potentially divergent views between the group and its subsidiaries more effectively and enhance the alignment of decisions in order to secure strategic consistency and execution (eg, global capital and liquidity management).</p>	As regards “group interest”, see resolution of comment 1.
66. Global Federation of Insurance Associations	Global	No	In practice, directors of subsidiaries can, and should be allowed to, reasonably take the group’s interest into account.	As regards “group interest”, see resolution of comment 1.
67. Swiss Re	Switzerland	No	In para. 33, “balancing the needs and interests of the group as a whole with those of insurance legal entities within the group” is recognized as one of the two key challenges in setting group objectives and strategies. Swiss Re welcomes the explicit recognition of this highly relevant challenge in practice but would appreciate if more concrete guidance could be provided, with due consideration for the corresponding focus of the BCBS Corporate Governance Principles (Principle	As regards “group interest”, see resolution of comment 1.



		<p>5 “Governance of Group Structures”, para. 96), in this AP, which purpose it is to “provide additional material related to one or more ICPs, ComFrame or G-SII policy measures, including actual examples or case studies that help practical application of supervisory material. [...] provide further advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material may be implemented.”. Consequently, Swiss Re proposes to also recognize the notion of "group interest" in either para. 32 (or one of the following paragraphs) acknowledging that directors of subsidiaries should be allowed to reasonably take the parent’s interest into account without violating their fiduciary duties toward their subsidiary. This would provide enhanced flexibility for management of groups especially on a cross-border basis, and provide directors with comfort in potential conflicts of interest when taking directions from the parent board. While Swiss Re acknowledges that the AP may implicitly recognize the notion of group interest, e.g., in para. 36 “[...] the group-wide supervisor of a more decentralised group should assess whether the objectives and strategies of the insurance legal entities within the group sufficiently support the group-wide objectives and strategies”., we think it should indeed be made explicit. First, to improve the alignment and consistency of provisions on group corporate governance, in particular with the BCBS Corporate Governance Principles 2015 (<a href="http://www.bis.org/bcbs/publ/d328.pdf">http://www.bis.org/bcbs/publ/d328.pdf</a>). Then, to enhance the AP’s clarity and practical value. This could be achieved by including provision no. 96 of the revised BCBS Principles on Corporate Governance, in particular the notion of group interest (last bullet). The last bullet specifically addresses that notion. Consequently, para. 32 could be amended by adding the following sentence:</p> <p>"[...] The (parent company’s) Board should ensure that the group’s corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions, in appropriate recognition of the interest of the group."</p> <p>In addition to the enhanced flexibility for group management, especially on a cross-border basis, recognizing the importance of group interest in the parent-subsidiary context would support the implementation of group-wide strategic planning, operational efficiency, and corporate decision-making processes. It would help multinational groups to deal more corporate decision-making</p>	
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			<p>processes. It would help multinational groups to deal more effectively with potentially divergent views between the group and its subsidiaries and enhance the alignment of decisions in order to secure strategic consistency and execution (e.g., global capital and liquidity management).</p>	
68. The Geneva Association	Switzerland	No	<p>In para. 33, “balancing the needs and interests of the group as a whole with those of insurance legal entities within the group” is recognized as one of the two key challenges in setting group objectives and strategies.</p> <p>We welcome the explicit recognition of this relevant challenge in practice but would appreciate if more concrete guidance could be provided, also in light of the corresponding new focus of the BCBS Corporate Governance Principles (Principle 5 “Governance of Group Structures”, para. 96).</p> <p>Consequently, we propose to also recognize the notion of "group interest" in either para. 32 (or one of the following paragraphs) acknowledging that directors of subsidiaries should be allowed to reasonably take the parent’s interest into account without violating their fiduciary duties toward their subsidiary. This would provide enhanced flexibility for management of groups especially on a cross-border basis, and provide directors with comfort in potential conflicts of interest when taking directions from the parent board.</p> <p>While we acknowledge that the AP implicitly does recognize the notion of group interest, e.g., in para. 36</p> <p>“[...] the group-wide supervisor of a more decentralised group should assess whether the objectives and strategies of the insurance legal entities within the group sufficiently support the group-wide objectives and strategies”.,</p> <p>We think it should indeed be made explicit.</p> <p>Paragraph . 32 could be amended by adding the following sentence:</p> <p>"[...] The (parent company’s) Board should ensure that the group’s corporate</p>	As regards “group interest”, see resolution of comment 1.

			<p>governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions, in appropriate recognition of the interest of the group."</p> <p>In addition to the enhanced flexibility for group management, especially on a cross-border basis, recognizing the importance of group interest in the parent-subsiary context would support the implementation of group-wide strategic planning, operational efficiency, and corporate decision-making processes. It would help multinational groups to deal more effectively with potentially divergent views between the group and its subsidiaries and enhance the alignment of decisions in order to secure strategic consistency and execution (e.g., global capital and liquidity management).</p>	
69. Zurich Insurance Company Ltd.	Switzerland	No	<p>In para. 33, "balancing the needs and interests of the group as a whole with those of insurance legal entities within the group" is recognized as one of the two key challenges in setting group objectives and strategies.</p> <p>Zurich welcomes the explicit recognition of this highly relevant challenge in practice but would appreciate if more concrete guidance could be provided, with due consideration for the corresponding focus of the BCBS Corporate Governance Principles (Principle 5 "Governance of Group Structures", para. 96), in this AP, which purpose it is to "provide additional material related to one or more ICPs, ComFrame or G-SII policy measures, including actual examples or case studies that help practical application of supervisory material. [...] provide further advice, illustrations, recommendations or examples of good practice to supervisors on how supervisory material may be implemented."</p> <p>Consequently, Zurich proposes to also recognize the notion of "group interest" in either para. 32 (or one of the following paragraphs) acknowledging that directors of subsidiaries should be allowed to reasonably take the parent's interest into account without violating their fiduciary duties toward their subsidiary. This would provide enhanced flexibility for management of groups especially on a cross-border basis, and provide directors with comfort in potential conflicts of interest when taking directions from the parent board.</p> <p>While Zurich acknowledges that the AP may implicitly recognize the notion of group interest, e.g., in para. 36</p> <p>"[...] the group-wide supervisor of a more decentralised group should assess whether the objectives and strategies of the insurance legal entities within the</p>	As regards "group interest", see resolution of comment 1.

			<p>group sufficiently support the group-wide objectives and strategies”.,</p> <p>we think it should indeed be made explicit. First, to improve the alignment and consistency of provisions on group corporate governance, in particular with the BCBS Corporate Governance Principles 2015 (<a href="http://www.bis.org/bcbs/publ/d328.pdf">http://www.bis.org/bcbs/publ/d328.pdf</a>). Then, to enhance the AP’s clarity and practical value. This could be achieved by including provision no. 96 of the revised BCBS Principles on Corporate Governance, in particular the notion of group interest (last bullet). The last bullet specifically addresses that notion. Consequently, para. 32 could be amended by adding the following sentence:</p> <p>"[...] The (parent company’s) Board should ensure that the group’s corporate governance framework includes appropriate processes and controls to identify and address potential intragroup conflicts of interest, such as those arising from intragroup transactions, in appropriate recognition of the interest of the group."</p> <p>In addition to the enhanced flexibility for group management, especially on a cross-border basis, recognizing the importance of group interest in the parent-subsidiary context would support the implementation of group-wide strategic planning, operational efficiency, and corporate decision-making processes. It would help multinational groups to deal more effectively with potentially divergent views between the group and its subsidiaries and enhance the alignment of decisions in order to secure strategic consistency and execution (e.g., global capital and liquidity management).</p>	
<b>38 - Q38 Comment on Paragraph 34 (Paragraph 37 in the final version)</b>				
70. Insurance Europe	Europe	No	<p>This paragraph states that the group-wide and other supervisor should review objectives and strategies in place at group and at insurance legal entity level to assess whether these are implemented across the group. It is not clear why this step is necessary or why it would be appropriate for the supervisor to intervene in this way, especially in cases where the local entity complies with its regulatory requirements. This applies particularly for a centralised group where it is clear that strategy and objectives would be set at group level.</p>	<p>Noted. The intention is that supervisors should undertake this as part of their evaluation of group governance. We believe that it is appropriate in these circumstances for supervisors to assess the extent to which group objectives and strategies are embedded across the group.</p>

71. Global Federation of Insurance Associations	Global	No	This paragraph states that the group wide and other supervisor should review objectives and strategies in place at group and at insurance legal entity level to assess whether these are implemented across the group. It is not clear why this step is necessary or why it would be appropriate for the supervisor to intervene in this way where the local entity complies with its regulatory requirements, particularly for a centralised group where it is clear that strategy and objectives would be set at group level.	See response to comment 70.
72. General Insurance Association of Japan	Japan	No	While the paragraph indicates that the group-wide supervisor should review the objectives and strategies in place at the insurance legal entity level, these are determined based on host jurisdictions' regulations and other local factors. Therefore, a review by involved supervisors (rather than the group-wide supervisor) is sufficient.	See response to comment 70.
73. The Geneva Association	Switzerland	No	This paragraph states that the group wide and other supervisor should review objectives and strategies in place at group and at insurance legal entity level to assess whether these are implemented across the group. It is not clear why this step is necessary or why it would be appropriate for the supervisor to intervene in this way where the local entity complies with its regulatory requirements, particularly for a centralised group where it is clear that strategy and objectives would be set at group level.	See response to comment 70.
<b>39 - Q39 Comment on Paragraph 35 (Paragraph 38 in the final version)</b>				
74. Insurance Europe	Europe	No	As per previous comments, the suggested good practice for supervisors to require reporting, eg when the group introduces a significant change to its objectives and strategies, should be based on a stronger legal basis than solely supervisory practice. Insurance Europe believes that the requirements in existing regulatory frameworks offer sufficient formalised tools (eg the group solvency and financial condition report in Solvency II) to group supervisors to maintain a clear and timely picture of the group's objectives and strategies. Any sharing of information between supervisors must be subject to confidentiality requirements.  Insurance Europe would further like to reiterate that it is important to avoid increasing and overlapping reporting constraints.	The text has been amended to make clear that reporting should be through existing mechanisms where possible.

75. Global Federation of Insurance Associations	Global	No	We request that the term "formal reporting mechanism" be clarified and/or further defined.	Agreed. The sentence has been reworded, it refers to "regular reporting mechanisms".
<b>40 - Q40 Comment on Paragraph 36 (Paragraph 39 in the final version)</b>				
76. Global Federation of Insurance Associations	Global	No	This paragraph should be edited to read: One aspect of "determining consistency".	Agreed.
77. AIA Group	Hong Kong	No	In our view it is important to keep in mind that there may be acceptable variations in objectives and strategies locally from group objectives and strategies given the local culture and circumstances. Again, discussion should involve the insurance group in understanding the nature of these variations should such variations raise any concerns for the group supervisor.	Noted. We agree and believe that this is covered by the reference to ensuring that overall group objectives are 'aligned with the local culture and circumstances of the insurance legal entities within the group'.
<b>41 - Q41 Comment on Paragraph 37 (Paragraph 40 in the final version)</b>				
<b>42 - Q42 Comment on Paragraph 38 (Paragraph 41 in the final version)</b>				
78. Insurance Europe	Europe	No	This paragraph should recognise that any information sharing must be done in accordance with confidentiality agreements/rules (as acknowledged in paragraph 53).	Noted. No change made – it is not necessary to restate the need for acting in accordance with confidentiality agreements across the Application Paper. Please refer to the relevant statement included in paragraph 18 of the Application Paper.
79. Dirección General de Seguros y Fondos de Pensiones	Spain	No	In its second sentence the reference to be used should be " should" ( instead of " can"). "... Alternatively the group wide supervisor should have....". It seems appropriate to explore a possible concern with Independence of the establishment of a supervisory college.	Noted. No change required – the intention here is not to suggest that there may be issues with the independence of the college but simply to suggest that where an issue affects only a limited number of entities within a group it might be more appropriate for the group supervisor to discuss bilaterally with the affected supervisors rather than involve the college as a whole.
<b>43 - Q43 Comment on Paragraph 39 (Paragraph 42 in the final version)</b>				

81. Global Federation of Insurance Associations	Global	No	Some wording is missing -- ICP 7.1 reads, "...Key Persons in Control Functions are clearly defined so as to promote..."	Agreed. The sentence has been reworded.
82. The Geneva Association	Switzerland	No	This paragraph seems to advocate for a clear separation of the oversight function from management responsibilities which may not be appropriate in all cases. This paragraph also seems to advocate for a more formal communication of Group decisions within the Group.	Independence of oversight or control functions is a key component of good corporate governance. This paragraph refers to the wording of ICP 7.1 and does not introduce new requirements.
83. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Some wording is missing -- ICP 7.1 reads, "...Key Persons in Control Functions are clearly defined so as to promote..."	Agreed. The sentence has been reworded.
<b>44 - Q44 Comment on Paragraph 40 (Paragraph 43 in the final version)</b>				
<b>45 - Q45 Comment on Paragraph 41 (Paragraph 44 in the final version)</b>				
84. Insurance Europe	Europe	No	Insurance Europe would like to clarify that the assessment of the appropriateness and effectiveness of delegations of authority should be limited to the extent that there will be no unnecessary interference with the group's chosen structure – for example in the sense of centralisation and decentralisation.	Not agreed. Paragraph does not mention possible interference, only assessment.
85. Global Federation of Insurance Associations	Global	No	We have concerns with the statement that involved supervisors assess the appropriateness and effectiveness of delegations of authority from the Board of the head of the group to the Senior Management within the group. This is because it should primarily be the Board of the head of the group that independently ensures the appropriateness of those delegations of authority. If supervisors assess such appropriateness directly, it can give rise to concerns that such assessment would lead to excessive intervention by the supervisors into the group's management which in turn, hinders enhanced corporate value and/or market development by hampering autonomous business judgements of the insurance group.  Supervisors should be satisfied that the framework which ensures appropriateness and effectiveness of delegations of authority from the Board functions as intended,	Not agreed. The paragraph suggests it is a good practice and does not direct supervisors to change management or organizational structures.

			rather than to assess such appropriateness and effectiveness, in order to achieve the objective of effective supervision. Accordingly, we request that this paragraph should be revised to read that supervisors should be satisfied that the framework ensures appropriateness and effectiveness of delegations of authority functions as intended.	
86. General Insurance Association of Japan	Japan	No	The subject should be "Group-wide supervisor" rather than "Involved supervisors".	Agreed.
87. The Life Insurance Association of Japan	Japan	No	Paragraph 41 states it is a good practice for the involvement of supervisors to assess the appropriateness and effectiveness of the delegations of authority from the Board at the Head of the group to the Senior Management within the group. However, according to the statements of ICP7. 3. 14, it should primarily be the Board at the Head of the group that ensures the appropriateness of those delegations of authority. If supervisors assess such appropriateness, it can give rise to concerns that such assessment would lead to excessive intervention by the supervisors to the group's management, which in turn hinder enhanced corporate value and/or market development by hampering autonomous business judgements of the insurance group. Supervisors should rather be satisfied with the framework which ensures appropriateness and effectiveness of delegations of authority from the Board functions as intended, than to assess such appropriateness and effectiveness, in order to achieve the objective of effective supervision. Hence, this paragraph should be revised to read that supervisors should be satisfied with the framework which ensures appropriateness and effectiveness of delegations of authority functions as intended.	Not agreed. While the Board does ensure appropriateness of delegation, pursuant to ICP 7.11 the supervisor requires the insurer to demonstrate the adequacy and effectiveness of its corporate framework. Delegations are part of the corporate framework and therefore it is the role of the supervisor to assess their appropriateness and effectiveness.
<b>46 - Q46 Comment on Paragraph 42 (Paragraph 45 in the final version)</b>				
<b>47 - Q47 General comments on Subsection 3.4 (Policies and processes)</b>				
<b>48 - Q48 Comment on Paragraph 43 (Paragraph 46 in the final version)</b>				
<b>49 - Q49 Comment on Paragraph 44 (Paragraph 47 in the final version)</b>				
88. Insurance Europe	Europe	No	Whereas Insurance Europe agrees that full sight and understanding of the decision-making process within the group is a good practice for supervisors, information exchange across borders and further outside of the group-wide	As regards confidentiality, see response to comment 21.



			supervisor's jurisdiction always need to be subject to strict confidentiality agreements.	
89. Global Federation of Insurance Associations	Global	No	This paragraph states that the group-wide supervisor should review documentation of decision-making and responsibilities and roles for governance of all insurance legal entities within the group. This seems to put a tremendous burden on the group-wide supervisor; in most cases, we would expect the group-wide supervisor to defer to the local supervisor in this area. In addition, there is a need for a statement that there must be a strict guarantee of confidentiality.	As regards confidentiality, see response to comment 21.
90. General Insurance Association of Japan	Japan	No	Although the paragraph indicates that the group-wide supervisor should review the group's documentation on the decision-making of all insurance legal entities within the group, this overlaps with practices of involved supervisors, and could be problematic from the viewpoint of customer information protection. Therefore, it should be addressed by involved supervisors.	As regards confidentiality, see response to comment 21.
91. The Geneva Association	Switzerland	No	We suggest to insert additional language in this paragraph referencing the need to guarantee strict confidentiality of confidential supervisory information, perhaps through memoranda of understanding providing for confidential sharing of information about insurance groups and insurers between involved supervisors.	As regards confidentiality, see response to comment 21.
92. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	This paragraph states that the group-wide supervisor should review documentation of decision-making and responsibilities and roles for governance of ALL insurance legal entities within the group. This seems to put a tremendous burden on the group-wide supervisor; in most cases, we would expect the group-wide supervisor to defer to the local supervisor in this area.	Agreed. The text amended to refer also to other involved supervisors: "...group-wide supervisor, with other involved supervisors, should review..."
<b>50 - Q50 Comment on Paragraph 45 (Paragraph 48 in the final version)</b>				
<b>51 - Q51 Comment on Paragraph 46 (Paragraph 49 in the final version)</b>				
93. Insurance Europe	Europe	No	Insurance Europe agrees that cross-representation within decision-making bodies of the group can mitigate the risk of conflicts of interest and has a positive effect on the proper functioning of the group, which is beneficial to supervisors. Although it may create additional risks in some cases, independent board representation at the group level should be recognised and given credit as providing a vital link between the two. Cross-representation brings the group perspective into the legal entity Board discussions and the legal entity perspective into the group Board. This is particularly the case where the representative is a non-executive director,	Paragraph does not suggest that cross-representation triggers action, it just sets out an example.

			<p>to give a broader perspective on group vs legal entity issues than that provided by executive directors.</p> <p>Cross-representation should therefore not trigger supervisory action per se but should be subject to monitoring and potential further evaluation as a good supervisory practice. Sufficient balance at the level of the legal entity Board, combined with the presence of independent directors, helps to limit conflicts, and insurers have policies and procedures in place to manage any conflicts, which should be taken into account when assessing the composition of the Board.</p>	
94. Global Federation of Insurance Associations	Global	No	<p>While the group structure has the potential to give rise to the conflicts of interest identified in paragraphs 46 and 47, the paper should also note that insurers have policies and procedures in place to manage any such conflicts, and this should be taken into account when assessing the composition of the Board. Cross-representation is not always a conflict that exacerbates risk.</p> <p>There is an inherent assumption that cross-representation creates conflicts and that such conflicts are necessarily bad; we disagree. Cross-representation should be a positive to the proper functioning of the group and, in turn, beneficial to supervisors. Having a group representative on the legal entity boards can be a vital link between the two, bringing the group perspective into the legal entity board discussions, as well as bringing the legal entity perspective into the group board. This sharing of different perspectives is especially important in situations where the board representative is a non-executive director. Sufficient challenge at the legal entity boards, combined with the presence of independent directors, will likely alleviate many conflicts.</p>	See response to comment 93.
95. The Geneva Association	Switzerland	No	<p>We are concerned with the wording in this paragraph as it gives the impression that cross-representation of Board and Senior Management members at insurance legal entities can result in conflicts of interest and hence exacerbates risks. Independent Board representation at group level should be recognized and credited in order to allow for such cross-representation. In a centralised group where strategy and objectives are set across the group, conflicts should not arise.</p>	See response to comment 93.
<b>52 - Q52 Comment on Paragraph 47 (Paragraph 50 in the final version)</b>				

<p>96. Insurance Europe</p>	<p>Europe</p>	<p>No</p>	<p>Insurance Europe believes that this paragraph is too granular and onerous in its scope and tone, particularly for the purpose of an application paper. It does not reflect current practice, and is therefore setting a new standard for both the group and legal entity Boards – something which the IAIS explicitly states in paragraph 1 that the application paper does not aim to do.</p> <p>Insurance Europe considers that the purpose of board minutes is to create a corporate record. If minutes are routinely shared outside the organisation, ie with the group-wide supervisor and other involved superiors, there is a risk that they become less useful to corporate governance than they may otherwise be. Furthermore, for the group-wide supervisor to review board minutes of legal entities would be both onerous and counter-productive. A more efficient option would be for the group-wide supervisor to receive the board agendas – the group-wide supervisor can therefore see what the board is discussing and may prompt it to seek more information.</p> <p>Furthermore, Insurance Europe would suggest reflecting in paragraph 47 the fact that local requirements relating to the role of independent Board members may vary across jurisdictions.</p> <p>Additional examples of good practice to those highlighted in paragraph 47 could further be noted, namely insurers keeping registers of conflicts, and directors recusing themselves from discussions.</p> <p>It should also be noted in relation to paragraphs 46 and 47:</p> <ul style="list-style-type: none"> <li>• The parent entity in a listed group has ultimate accountability to shareholders and is subject to listing rules and requirements.</li> <li>• Accordingly, policies and strategy are typically set at group level, with subsidiary entities required to comply/follow, in order that the listed parent can maintain that external accountability.</li> <li>• Policy and strategy set at group level do not overrule fiduciary duties that a subsidiary Board has or regulatory duties that a director has.</li> <li>• Group policy and strategy does, however, guide the subsidiary Board as to what the wishes of the subsidiary Board’s shareholders (the parent company) are, assisting the subsidiary Board in their duty to act in the way they consider, in good</li> </ul>	<p>Agreed, the reference to reviewing minutes deleted in order to focus on the subject of the assessment.</p> <p>Not agreed. Potential differences in local requirements should always be taken into account. The Application Paper focuses on good supervisory practices applicable to relevant ICPs.</p> <p>Those paragraphs describe good practices of supervisory authorities, not insurers.</p>
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			faith, would be most likely to promote the success of the company for the benefit of its members/member.	
97. Global Federation of Insurance Associations	Global	No	<p>The role of independent directors, especially at the subsidiary level, may differ from jurisdiction to jurisdiction. This is an example of where the paper prescribes a single structure rather than taking the more flexible approach we recommend. In addition, we are concerned about the suggestion that the Board minutes be reviewed by both the group-wide supervisor and other involved supervisors.</p> <p>GFIA believes that Board minutes are a corporate record. If they are routinely circulated outside of the organisation, then there is a risk that they will become less useful to corporate governance than they are currently. The wide-spread sharing of board minutes with the group-wide supervisor and other involved supervisors does not reflect current practice and, therefore, sets a new standard for the group and legal entity boards, a fact that is contrary to the express purpose of the Application Paper.</p> <p>Board minutes create a confidential corporate record and should only be made available to the supervisor with jurisdiction over the head of the group. If board minutes were routinely circulated outside of the organisation, they risk becoming anodyne and would not be as useful to good corporate governance as they might otherwise be. In the alternative, the supervisor might request access on a voluntary basis.</p>	Agreed, the reference to reviewing minutes deleted in order to focus on the subject of the assessment.
98. General Insurance Association of Japan	Japan	No	<p>The first sentence points out that it is a good practice to review minutes of Board meetings of the head of the group and of the insurance legal entities within the group to determine if strategic decisions are aligned between insurance legal entities and the group. However, these minutes are not necessarily appropriate documents for this purpose. Therefore, we suggest deleting "to review minutes of the Board meetings of the head of the group and of the insurance legal entities within the group".</p> <p>In addition, although the last sentence indicates that it is a good practice for both the group-wide supervisor and other involved supervisors to speak with independent directors of legal entities, it is appropriate that such communication is handled by involved supervisors, to ensure effectiveness of both the supervisors and the group.</p>	See response to comment 97.

99. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Board minutes may not be the best source of information to evaluate the alignment of strategic decisions between the group and legal entities as the amount of detail included in minutes is typically limited. Therefore, additional procedures may be necessary to evaluate alignment.	See response to comment 97.
<b>53 - Q53 Comment on Paragraph 48 (Paragraph 51 in the final version)</b>				
100. Insurance Europe	Europe	No	Insurance Europe concurs with the expectation that Board members would assess their roles outside of the group. Insurers often hold external position registers for their Board members and monitor time commitments.	Noted.
101. Global Federation of Insurance Associations	Global	No	Self-accessing conflicts of Board members is reasonable. Conflicts of interest policy may be included in other documents.	Noted.
<b>54 - Q54 Comment on Paragraph 49 (Paragraph 52 in the final version)</b>				
102. Insurance Europe	Europe	No	This paragraph seems to suggest there is an explicit conflict of interest policy. However, the substance of a conflict of interest policy may be covered in other documents such as a code of conduct; the application paper should not be introducing a new requirement for a conflict of interest policy.	Agreed. A relevant explanation added to the paragraph.
103. Global Federation of Insurance Associations	Global	No	Conflict of interest policy may be included in other documents.	See response to comment 103.
<b>55 - Q55 Comment on Paragraph 50 (Paragraph 53 in the final version)</b>				
104. Insurance Europe	Europe	No	This paragraph appears to be introducing a new requirement as to specific policies insurers/groups should have. Insurance Europe does not believe that it should be a requirement to have multiple sets of the same policies at the group and entity levels. The language should therefore be amended to allow for greater flexibility. The following revisions are suggested:	This requirement comes from ICP 8, which applies to both groups and individual insurance entities. It does not introduce a new requirement.

			“Notably, policies should address the risk appetite framework, asset-liability management, investment, and underwriting risk.”	
105. Global Federation of Insurance Associations	Global	No	Not all policies necessarily apply at both the entity and group levels. So, the second sentence should be modified to read: “the entity and/or group level, as appropriate.” And multiple sets of the same policy should not be required.	Please see response to comment 104.
106. AIA Group	Hong Kong	No	In our view it is important that local regulators recognise that a local entity may be part of an insurance group and take into consideration policies and processes that have been implemented by the group and avoid the duplication of regulatory requirements locally. Local regulation should have the discretion to allow for the local regulator to accept the policies and processes that have been adopted by a group as equivalent to local requirements especially where such policies and processes have been implemented pursuant to requirements of a group supervisor. Only where there exists a material local challenge for deviation from consist between insurance legal entity and group policies should there be a need for a specific policy locally to address the concern. On the other hand, local regulators may require specific policies or processes to be followed to cater to local requirements. Therefore, a group wide regulator should recognise this when reviewing group policies and there is also a local policy that is required to deal with specific local policies and processes.	Disagreed. Being part of the group does not relieve an insurance company from observing any of requirements imposed on it on an individual basis.
107. International Actuarial Association	International	No	The policies listed in paragraph 50 may not be an exhaustive or complete list of policies. Others that might be included are operational risk and ORSA policies.	Noted, the word “notably” intends to suggest that it is not an exhaustive list.
108. The Geneva Association	Switzerland	No	We do not believe that it should be a requirement to have multiple sets of the same policies at the group and entity-levels. The language should therefore be amended to allow for greater flexibility. We suggest revising the para as follows:  “Notably, policies should address the risk appetite framework, asset-liability management, investment, and underwriting risk”	See answer to comment 104.

<b>56 - Q56 Comment on Paragraph 51 (Paragraph 54 in the final version)</b>				
109. Insurance Europe	Europe	No	In the last sentence of this paragraph, Insurance Europe would appreciate the word “risk” added so that the sentence reads: “create a common risk culture across the group and ...”	Agreed. The word “risk” added.
110. Global Federation of Insurance Associations	Global	No	In the last sentence, we would like to see the word "risk" added so it reads: "create a common risk culture...".	See answer to comment 109.
111. The Geneva Association	Switzerland	No	In the last sentence of this para, we would like to see the word “risk” added so that the sentence reads: “create a common risk culture across the group and . . .”	See answer to comment 109.
112. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	<p>First line, suggest using wording that is more in line with an Application Paper: “...group policies should describe...”</p> <p>The third sentence should better reflect the role of the other involved supervisor – suggest: “In addition to assessing the policies of the insurance legal entities within their jurisdiction, other involved supervisors should review policies for the group.”</p> <p>In the fourth sentence, insurers are supervised, not polices – suggest, “...way in which policies are assessed should vary...”</p>	<p>Agree. “Should” used instead of “have to”.</p> <p>Disagreed. The present wording reflects the role of other involved supervisors in a proper way.</p> <p>Agreed.</p>
<b>57 - Q57 Comment on Paragraph 52 (Paragraph 55 in the final version)</b>				
113. Insurance Europe	Europe	No	Please refer to response provided on paragraph 53 (Q58). Overall, Insurance Europe would recommend this paragraph being deleted.	Not agreed.
114. Global Federation of Insurance Associations	Global	No	This paragraph should be deleted, because the survey responses may not be indicative of all supervisors.	Not agreed. The aim of the survey was not to get responses indicative for all supervisors, but to identify common challenges faced by supervisors as well as common and good supervisory practices to overcome those challenges.
<b>58 - Q58 Comment on Paragraph 53 (Paragraph 56 in the final version)</b>				

115. Insurance Europe	Europe	No	<p>Insurance Europe agrees that the onus to coordinate and exchange internal group policies should be between the supervisors involved. This is in line with the overall objective of the application paper to avoid duplication of work for both supervisors and supervised entities. In that sense, the results from the GWG survey may not represent relevant findings for the issue at hand.</p> <p>Insurance Europe welcomes the acknowledgement given in this paragraph to the need for information sharing to take place within the bounds of the confidentiality rules of the jurisdiction concerned.</p>	Noted.
116. Global Federation of Insurance Associations	Global	No	We appreciate the mention of confidentiality rules.	Noted.
<b>59 - Q59 Comment on Paragraph 54 (Paragraph 57 in the final version)</b>				
117. Insurance Europe	Europe	No	<p>As mentioned above, there should be a legal basis for the requirement for the head of the group to review policies regularly, and such general obligations should not be introduced in the form of good practices. In that sense, Insurance Europe considers the wording “the group-wide supervisor could also consider requiring...” misleading.</p> <p>Insurance Europe, hence, suggests the following amendments:</p> <p>“The group-wide supervisor may also consider reviewing whether there was a sufficient process in place at the group level to regularly review the policies of each insurance legal entity within the group [...] The supervisor would then verify that the review is planned [...] and that Senior Management has had access to the findings of the review...”</p>	Not agreed. The paragraph does not introduce a new requirement, but proposes a good supervisory practice.
118. AIA Group	Hong Kong	No	In our view, it is not necessary to require the head of the group to conduct a comprehensive review of all the policies of the group’s insurance legal entities. The latter should be responsible and accountable for their own policies and implementation within the limits of their authority. This should take into account the governance structure and model adopted by and across the group. Other approaches to oversight, including certification and risk-based monitoring are	Partly agreed, the sentence has been modified to also mention a possibility of a review on a sample basis.



			effective for policy review. The implementation of group-wide policies may be subject to a different programme. The perspective on the review of policies should also be informed by the degree of independence of the second line. For example, a review of the implementation of policy by a local compliance team may be perfectly adequate to provide the assurance sought.	
119. The Geneva Association	Switzerland	No	We would suggest the following edits to this para:  “The group-wide supervisor could also consider reviewing whether there was a sufficient process in place at the group level to regularly review the policies of each insurance legal entity within the group . . . The supervisor would then verify that the review is planned . . . and that Senior Management has had access to the findings of the review . . .”	Not agreed. See answer to comment 117.
120. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	For large insurance groups, it may be overly burdensome to require that the head of the group regularly review the policies of EACH of their insurance legal entities without providing a significant benefit. Suggest revising to include review of policies on a sample basis: “The group-wide supervisor may consider requiring the head of the group to regularly review the policies of each insurance legal entity within the group, such as by entity or by theme or a sample basis across all entities.”	Not agreed. As explained in responses to some general comments, “should” is commonly used across the IAIS materials as an indication of guidance – not a requirement. Its use in the Application Paper does not imply a requirement or a standard, but a good practice.
<b>60 - Q60 Comment on Paragraph 55 (Paragraph 58 in the final version)</b>				
121. Insurance Europe	Europe	No	Not all Boards are required to, or need to, formally approve all policies. Without changes, the wording would impose burdensome requirements on all entity Boards. Insurance Europe would therefore urge the following edits be made to this paragraph:  “It is a good practice for supervisors to understand how group policies are set. [...] To do so, supervisors should look at the process for the adoption of policies. For Board-approved policies, supervisors should look at the minutes of the relevant Board meeting at which policies are discussed or adopted.”	Partly agreed. The paragraph has been modified: “To do so, supervisors <del>should</del> <b>could, for example,</b> look at the minutes...”
122. Global Federation of	Global	No	Not all Boards are required to, or need to, formally approve all policies. Without changes, the wording would impose burdensome requirements on all entity Boards. We would therefore urge the following edits to this paragraph: “It is a good	See response to comments 122 and 97.

Insurance Associations			practice for supervisors to understand how group policies are set. . . . To do so, supervisors should look at the process for the adoption of policies”. And, consistent with our comments in paragraph 47, delete sentences 3-6.	
123. AIA Group	Hong Kong	No	In practice, policy setting at group level may not in all cases involve consultations with the group’s insurance legal entities (for example establishing a zero tolerance approach in respect of fraud). Regulatory review of the relevant process should likewise consider the governance structure adopted by the group.	Noted.
124. International Actuarial Association	International	No	Paragraph 55 goes into detail on the process for checking corporate policies. This appears to be a description of a generic supervisory approach to bring together a review of documentation, interviews at various levels, observations from meetings and case studies which could be included in a general introduction. In some places however, there does not appear to be a distinction between reviewing policy versus reviewing processes.	Not agreed. Paragraph 55 (now para 58) is about reviewing process of setting policies, and not about reviewing policies themselves.
125. The Geneva Association	Switzerland	No	<p>Current wording of this paragraph would give supervisory authorities the right to question the process for establishing group policies. In addition, not all Boards are required to, or need to, formally approve all policies, hence the current wording would impose burdensome requirements on all entity Boards. It also seems to enable the supervisors to discuss this topic with the Board or Senior Management, which, in our view is a disproportionate interpretation of supervisory powers and objectives. We would therefore suggest to amend this paragraph as follows:</p> <p>“It is a good practice for supervisors to understand how group policies are set. . . . To do so, supervisors should look at the process for the adoption of policies. For Board-approved policies, supervisors should look at the minutes of the relevant Board meeting at which policies are discussed or adopted. [delete following text] Such minutes provide relevant information on how policies are adopted and can reveal if the Board challenges the processes that establish policies (by, for example, whether Senior Management consulted interested parties in setting those policies.) “By looking at minutes of the Board meetings, supervisors can</p>	Not agreed. Supervisory authorities should have the power to question the process for establishing policies. Please see ICP 7.11.

			assess whether insurance legal entities are involved in the process of setting group policies.” [end of section we would like to see deleted]	
126. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Based on our experience, board minutes may not include much detail on the level of discussion taking place when policies are reviewed and adopted. In addition, board meeting minutes are not likely to indicate the level at which legal entities are involved in setting group policies. Therefore, other steps may be necessary to get an understanding of the level of board and legal entity engagement in the group policy setting process (e.g. board member and legal entity executive interviews, review of board meeting materials, etc.).	See response to comment 121.
<b>61 - Q61 Comment on Paragraph 56 (Paragraph 59 in the final version)</b>				
127. Insurance Europe	Europe	No	Please refer to comment provided on paragraph 54 (Q59).	See above.
128. AIA Group	Hong Kong	No	Our comment is that the period of regular review of policies should be set taking into account an appropriate risk-based allocation of resources and attention. Training fatigue and policy issue fatigue should be taken into account in determining the frequency of policy review.	Noted.
<b>62 - Q62 Comment on Paragraph 57 (Paragraph 60 in the final version)</b>				
129. Insurance Europe	Europe	No	This paragraph indicates that “Policies should set out the triggers that result in an update...” This seems overly prescriptive. Instead, it should be sufficient to say that:  <ul style="list-style-type: none"> <li>• “supervisors should assess whether the group policies are regularly updated to adapt to the group’s business environment (Paragraph 56); and</li> <li>• the policies should set out the processes and procedures that govern the updating (as stated further along in Para 57).”</li> </ul>	Partly agreed. The wording of the paragraph has been changed to describe a good supervisory practice.
130. Global Federation of Insurance Associations	Global	No	This paragraph indicates that “Policies should set out the triggers that result in an update...” This seems overly prescriptive. It should be sufficient to say that: <ul style="list-style-type: none"> <li>• supervisors should assess whether the group policies are regularly updated to adapt to the group’s business environment (Paragraph 56); and</li> <li>• the policies should set out the processes and procedures that govern the updating (as stated further along in Paragraph 57).</li> </ul>	See answer to comment 129.

131. AIA Group	Hong Kong	No	Our view is that whether a significant change should trigger an immediate review or whether the review should be included in the next cycle are questions which should be subject to judgment by experienced professionals. The triggers for an update do not always belong directly in a policy – this can have a limiting effect. For example, they may be covered by a generic approach. In addition, the verification of the effectiveness of such revisions made should consider more the relevance and materiality of such change that might warrant for a revision to be made.	See answer to comment 129.
132. General Insurance Association of Japan	Japan	No	While the paragraph indicates that the policies should set out the triggers that result in an update, it is important to note that a group’s management challenges could vary according to the business environment. When revising the policies in practice, it is appropriate for the group to plan, implement, and verify measures under the policies, then update the policies as necessary. Even if certain triggers were to be included in the policies, these should be described in a comprehensive manner (for example, "changes in the external environment that would affect the group’s management", "changes in the group’s management strategies", and "changes in the governance system"). It is not practical to require the policies to include more concrete triggers.	See answer to comment 129.
133. The Geneva Association	Switzerland	No	This paragraph indicates that “Policies should set out the triggers that result in an update...” This seems overly prescriptive. It should be sufficient to say that: <ul style="list-style-type: none"> <li>• supervisors should assess whether the group policies are regularly updated to adapt to the group’s business environment (Para 56); and</li> <li>• the policies should set out the processes and procedures that govern the updating (as stated further along in Para 57).</li> </ul>	See answer to comment 129.
<b>63 - Q63 Comment on Paragraph 58 (Paragraph 62 in the final version)</b>				
134. Insurance Europe	Europe	No	In Insurance Europe’s view, the recommendation in paragraph 58 is too stringent and not necessary.  While Insurance Europe agrees that local issues, context, and environment should find appropriate reflection in the insurance legal entities’ policies, the draft application paper’s recommendation to assess that local policies are not a simple repetition of the group policy should be refined further. It should not create	Although local policies should reflect local issues, context and environment, they should not be inconsistent with group policies.

			supervisory issues for a group to have policies that are as consistent as possible while adapting to local requirements.	
135. Global Federation of Insurance Associations	Global	No	On the centralised model, we would prefer for policies to be as consistent as possible, but adapted to local requirements where necessary. This should not cause supervisory issues if done properly, as consistency of policies makes sense for a more centralised group.	Noted.
136. AIA Group	Hong Kong	No	Please also see our response to question 55.	See above.
<b>64 - Q64 Comment on Paragraph 59 (Paragraph 61 in the final version)</b>				
137. Insurance Europe	Europe	No	Please refer to comment provided on paragraph 60 (Q64).	See above.
138. Global Federation of Insurance Associations	Global	No	It is not clear which policies are being referred to in this paragraph. It needs to make clear that group-wide supervisor is encouraged to assess only the consistency between group-wide policies and those legal entities it is responsible for.	The paragraph refers to policies in general (not some particular ones).
139. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	It is not clear which policies are being referred to in this paragraph. Is the group-wide supervisor encouraged to assess the consistency between group-wide policies and those legal entities it is responsible for, or for all legal entities?	See response to comment 138.
<b>65 - Q65 Comment on Paragraph 60 (Paragraph 63 in the final version)</b>				
140. Insurance Europe	Europe	No	In the interest of avoiding duplication of work for the group-wide supervisor and the involved supervisors, the IAIS may consider clarifying how the responsibilities set out in paragraphs 59 and 60 would overlap and could be managed.	Supervisors may exchange information on review of policies in a college, if the college exists. A group-wide supervisor may involve other relevant involved supervisor (local supervisor) in this type of exercise, so it is synchronized in terms of timing and activities are not duplicative.  It is also good practice to exchange information about identified deviations as part of sharing the outcome of the supervisory process within the college. Such observations may lead to further

				coordinated actions of the group-wide supervisor and relevant supervisors.
141. Global Federation of Insurance Associations	Global	No	In the last sentence, it is unclear what would be confirmed – suggest revising to: “If the deviation is not due to local challenges or requirements, involved supervisors should ask the group and the insurance legal entity to explain such deviations.”	Agreed. The last sentence has been reworded.
142. AIA Group	Hong Kong	No	Our view is that in a more decentralised group, the examination of the reasons for differences between localisations of policy is unwarranted. Any such examination should also take into account the group’s indication of latitude which it considers acceptable in connection with any particular policy.	Noted.
143. General Insurance Association of Japan	Japan	No	Although the paragraph indicates that other involved supervisors should assess the consistency between the policies of the insurance legal entities within their jurisdictions and group policies, the head of the group should fulfill the role of both developing and disseminating group policies. On its own initiative, the head should also make sure that consistency is maintained. Therefore, confirmation by involved supervisors that the group has a system in place to ensure such consistency is sufficient.	Not agreed. It is good practice of relevant supervisors to assess the policies of local insurance legal entities in terms of their consistency with group policies and determine the reason of potential inconsistencies, and to share the outcome of the assessment with the group-wide supervisor.
144. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Last sentence, it is unclear what would be confirmed – suggest revising to: “If the deviation is not due to local challenges or requirements, involved supervisors should ask the group and the insurance legal entity to explain such deviations.”	See answer to comment 141.
<b>66 - Q66 Comment on Paragraph 61 (Paragraph 64 in the final version)</b>				
145. AIA Group	Hong Kong	No	We suggest this assessment should take into consideration the materiality of issues and how they fit into the overall risk appetite framework of the group. Interrelated issues or risks can be collectively addressed in a single group policy rather than creating separate policies for individual issues.	Agreed. The word “relevant” has been replaced with “material”.
<b>67 - Q67 Comment on Paragraph 62 (Paragraph 65 in the final version)</b>				
146. Insurance Europe	Europe	No	A group-wide supervisor may not have the expertise to understand the operation of such processes in each of the legal entities based on local laws and regulations. Insurance Europe believes that the assessments considered in points 1) and 2)	Agreed. The phrase “in cooperation with relevant involved supervisors” has been added.

			would be better achieved at the Supervisory College level.  Further, in relation to point 2), 'group policies implement effective reporting lines between local entities and the head of the group', it should be recognised that the reporting lines may be detailed in other corporate records, eg governance maps. Therefore, rather than introducing a requirement that insurers/groups produce policies that set out reporting lines, 2) should instead provide that the supervisor considers the group's documented reporting lines.	Partly agreed. The wording has been changed so that the group-wide supervisor should assess whether the reporting lines are documented.
147. Global Federation of Insurance Associations	Global	No	In relation to point (2) 'group policies implement effective reporting lines between local entities and the head of the group' – it should be recognized that the reporting lines may be detailed in other corporate records, e.g. governance maps. Therefore, rather than referring explicitly to group policies, (2) should be reworded to note: "the group implements and documents effective reporting lines..." Further, a group supervisor may not have the expertise to understand the operations of such processes in each of the geographical entities based on local laws and regulations. The goal of this recommendation--that the group-wide supervisor should assess whether 1) local entities are involved in the processes described by the group policies and 2) group policies implement effective reporting lines between local entities and the head of the Group--would be better achieved at the Supervisory College level.	See response to comment 146.
<b>68 - Q68 Comment on Paragraph 63 (Paragraph 66 in the final version)</b>				
148. Insurance Europe	Europe	No	Insurance Europe does not agree with the new requirement introduced in this paragraph that the group-wide supervisor should be involved in the appointment of a director to the Board of a legal entity. Supervisory oversight of this is for the legal entity's supervisor, and it is unclear what value the group-wide supervisor would add.  The statement under the first bullet point should be amended to be gender-neutral,	The paragraph does not refer to involvement of the group-wide supervisor in the appointment of a director to the Board of the legal entity. The paragraph says that the group-wide supervisor should assess the suitability-related policies and processes and should be informed of this nomination by other involved supervisors.  Changed for: "one of the Board members".

			<p>i.e. “nominates one of their Board members”.</p> <p>This paragraph should also refer to processes as well as to policies, for example:</p> <ul style="list-style-type: none"> <li>• First bullet – “Group and insurance legal entities’ policies or processes should state the group’s role...”</li> <li>• Second bullet – last sentence – “Regardless, supervisors . . . are in compliance with suitability policies or processes.”</li> </ul>	<p>Agreed.</p> <p>Agreed.</p>
149. Global Federation of Insurance Associations	Global	No	<p>To the extent this section suggests that the group-wide supervisor should become involved in the appointment of a director to a legal entity board, or that involved supervisors should become involved in the appointment of a director to the head of the group board, we believe such an approach invites unnecessary and inappropriate intrusion by the supervisors into the internal management of the insurance group.</p> <p>The suggestion that the group supervisor should be involved in the appointment of a director to the legal entity Board goes too far. Such an appointment should be a matter for the legal entity’s supervisor, if the supervisor has the legal authority to make such an appointment.</p> <p>The statement in the first bullet point, “if the head of the group nominates one of his Board members” shows gender bias and should be amended i.e. “nominates one of their Board members.</p> <p>We would request the following edits to refer to processes as well as policies:            First bullet – “Group and insurance legal entities’ policies or processes should state the group’s role...”            Second bullet – last sentence – “Regardless, supervisors . . . are in compliance with suitability policies or processes, if applicable.”</p>	<p>See response to comment 148.</p> <p>Agreed. Change made.</p> <p>See answer to comment 148.</p>
150. The Geneva Association	Switzerland	No	<p>We would request the following edits:</p>	<p>See response to comment 148.</p>



			<p>First bullet – “Group and insurance legal entities’ policies or processes should state the group’s role...”</p> <p>Second bullet – last sentence – “Regardless, supervisors . . . are in compliance with suitability policies or processes.”</p>	
151. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Are there supposed to be 2 paragraphs here? The 2 bullet points do not seem to relate to the preceding sentence and are perhaps supposed to be a separate paragraph?	The two bullet points are related to the previous sentence.
<b>69 - Q69 Comment on Paragraph 64 (Paragraph 67 in the final version)</b>				
152. Insurance Europe	Europe	No	Insurance Europe agrees that the described check lists to be established and used by supervisors internally could be useful and efficient tools to ensure supervisory convergence. However, in the interest of transparency and legal certainty, Insurance Europe believes that supervisors should make their expectations on content of the policies known to the group in advance.	Noted.
<b>70 - Q70 Comment on Paragraph 65 (Paragraph 68 in the final version)</b>				
153. Insurance Europe	Europe	No	<p>Insurance Europe generally agrees with the recommendations to review conflict of interest policies, specifically on the treatment of intragroup transactions. However, assuming that the IAIS is referring to external auditors, Insurance Europe strongly objects to the introduction of a direct regular reporting requirement for external auditors to supervisors in the form of good practices. Insurance Europe appreciates that supervisors already have access to appropriate tools; for example supervisors often have the ability to enquire information on an ad-hoc basis provided by provisions in local legislations, and can have access to information in the context of on-site inspections.</p> <p>Additionally, any practice regarding the supervision of intra-group transactions needs to account for adequate proportionality, particularly in light of other reporting mechanisms with respect to intra-group transactions.</p>	<p>Not agreed. It is expected that external auditors and supervisors communicate and share information. Please see ICP 7.8.5 – 7.8.7.</p> <p>Noted.</p>

154. Global Federation of Insurance Associations	Global	No	Any practice regarding review of intra-group transactions needs to be considered with regard to its proportionality, particularly in light of other reporting mechanisms with respect to intra-group transactions.	Noted.
155. The Geneva Association	Switzerland	No	This paragraph states that good supervisory practice is to review how policies address intra group transactions, how these are consistent with the group's policy and that the supervisor could obtain an annual audit report on this. Any such practice needs to be considered having regard to its proportionality in light of other reporting mechanisms with respect to intra-group transactions.	Noted.
<b>71 - Q71 Comment on Paragraph 66 (Paragraph 69 in the final version)</b>				
156. Insurance Europe	Europe	No	<p>Greater specificity should be attached to the culture that supervisors are trying to assess. As such, Insurance Europe believes the word "risk" should be added wherever "culture" is referenced.</p> <p>The sentences would therefore read as follows:</p> <p>"Group-wide supervisors should assess whether the policies and process of the group foster a common risk culture."</p> <p>Also, the following sentence:</p> <p>"For example, a risk management policy at the group level setting the risk appetite limit or a common compensation policy may help to create a group risk culture."</p>	Agreed in general, however in the first sentence the reference to culture was kept, as at this stage the Application Paper refers to a concept broader than risk culture.
157. Global Federation of Insurance Associations	Global	No	<p>The terms "common culture" and "group culture" should be clarified. Greater specificity should be attached to the culture that supervisors are trying to assess. As such, we believe the word "risk" should be added wherever "culture" is referenced. The sentences would therefore read as follows: "Group-wide supervisors should assess whether the policies and process of the group foster a common risk culture."</p> <p>Also, the following sentence: "For example, a risk management policy at the group</p>	See response to comment 156.

			level setting the risk appetite limit or a common compensation policy may help to create a group risk culture.”	
158. The Geneva Association	Switzerland	No	We believe that greater specificity should be attached to the culture that supervisors are trying to assess. As such, we believe the word “risk” should be added wherever “culture” is referenced. The sentences would therefore read as follows: “Group-wide supervisors should assess whether the policies and process of the group foster a common risk culture.” and in the following sentence: “For example, a risk management policy at the group level setting the risk appetite limit or a common compensation policy may help to create a group risk culture.”	See response to comment 156.
<b>72 - Q72 Comment on Paragraph 67 (split into Paragraph 70 and 71 in the final version)</b>				
159. Insurance Europe	Europe	No	<p>The second sentence introduces a new requirement on insurers/groups as to the content of policies. It should be noted that delegated accountabilities may be recorded in another manner, ie not necessarily in group policies, so the point should not be that the group policies include this information, rather that the supervisor should consider the arrangements in place to gain comfort that accountability is clearly documented.</p> <p>The third sentence introduces a new requirement as to the responsibilities of the compliance function, which Insurance Europe suggests removing. Insurance Europe would like to highlight that internal controls, ensuring that policies are observed, are not necessarily in the scope of the compliance function but could also be overseen by other key functions. How oversight of internal policies is arranged will be a matter determined by the insurer as part of its governance arrangements, and not something that the supervisor need specify. Rather the supervisor should consider the arrangements in place to gain comfort that there are appropriate arrangements for policy oversight in place.</p> <p>Similarly, the last sentence refers to compliance functions verifying the insurance legal entities’ established policies in accordance with local regulation and the group’s policies. Insurance Europe requires further clarifications on this provision. Specifically, if the policy is one of regulatory nature this is a fair recommendation. However, many policies are business-centric, and are owned by the corresponding business unit, and the compliance function may not have the expertise to determine whether the policy is compliant with local regulation. It is the</p>	<p>It is considered as good practice for supervisors to request the policies to identify who is responsible for their implementation.</p> <p>Not agreed. Please see for instance ICP 8.5.1: “The compliance function has a broader role than merely monitoring compliance with laws and regulations and supervisory requirements; monitoring compliance with internal policies...”</p> <p>ICP 8 does not distinguish between regulatory and business-centric policies.</p>

			supervisor’s role to understand the effectiveness of policy compliance, not to specify who within an insurance group should undertake this.	
160. Global Federation of Insurance Associations	Global	No	<p>The second sentence states that ‘Each policy should also describe who in the group (or insurance legal entity) is responsible for making sure it is actually implemented’. Delegated accountabilities may be recorded in another manner, i.e. not necessarily in group policies, so the point should not be that the group policies include this information, rather that accountability is clearly documented.</p> <p>The third sentence notes that the compliance function should be responsible for this, and there are a few other references to the compliance function having responsibilities towards policy implementation. Whether the compliance function should be responsible may depend on the definition of ‘compliance function’ in terms of whether it is an action of doing compliance or intended to be a discrete team of people. If the policy is one of regulatory nature this is a fair recommendation however many other policies are business-centric and are owned by the corresponding business units.</p> <p>Group policies may form part of a group’s enterprise risk framework or other business unit and the compliance function would not have the expertise to determine whether they are compliant with the specific regulations and rules and may be overseen by their group risk function rather than a compliance team. Therefore, we would suggest the references to the compliance function in this section be amended to “risk or compliance function”. Similarly, the last sentence refers to compliance functions verifying the insurance legal entities establish policies in accordance with local regulations and the group policies – this should be qualified to refer to relevant group policies, or the reference to group policies should be removed.</p> <p>As a general comment, the statements about the “compliance function” are too broad, since what constitutes a “compliance function” may differ among groups. If the policy in question is regulatory in nature, then the statements about compliance may be fair. However, many policies are business-centric and observance of these policies become the responsibility of the corresponding business units.</p>	See response to comment 159.

161. AIA Group	Hong Kong	No	We suggest that in the same manner that responsibility for implementation of policy may be distributed, supervisors should recognise that the requirement for monitoring the adoption of policies required by regulation may also be distributed.	See response to comment 159.
162. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	This paragraph appears to indicate that the compliance function is responsible for ensuring that policies are adhered to through the implementation of internal controls. We would generally expect that to be a role that the internal audit function would take on.	See response to comment 159.
<b>73 - Q73 Comment on Paragraph 68 (Paragraph 72 in the final version)</b>				
163. Insurance Europe	Europe	No	<p>As with Q72 above, who oversees compliance with internal policies is a matter for the insurer and not the supervisor.</p> <p>Insurance Europe would suggest deleting the first bullet point, and editing the second as follows:  “review the group internal audit plan and internal audit reports to check for issues ...”</p> <p>The third bullet point should be qualified to refer to ‘relevant group internal policies’.</p>	<p>See response to comment 159.</p> <p>Not agreed. We do not see a reason to introduce the amendment proposed.</p> <p>Not agreed.</p>
164. Global Federation of Insurance Associations	Global	No	<p>To assess how the insurance group monitors compliance with its internal policies, supervisors at both the group level and the insurance legal entity level should coordinate periodic discussions of these policies with the head of the insurance group, in order to ascertain the functional areas that have responsibility for monitoring compliance with internal policies. These functional areas may include the internal audit function within the group.</p> <p>Based on the complexity of the group, suitable supervisory review procedures should be developed for the functional areas with responsibility for monitoring compliance with internal policies. Any review of, and discussion with, a functional area should be well coordinated to avoid inefficiencies and inconsistent conclusions.</p>	Noted.

165. AIA Group	Hong Kong	No	<p>The primary focus of any discussion between supervisors and internal audit on an assessment of how an insurer monitors compliance with its internal policies should only be on key policies with a material impact on the group. For example, key policies could include policies on anti-money laundering and counter-terrorist financing and anti-bribery and corruption. Key policies should be reviewed by an insurer as a part of a risk-based cyclical programme of audit coverage (rather than on the basis of a pure policy review).</p> <p>We reiterate our comment to paragraph 54 that it should not be necessary to require the head of the group to conduct a comprehensive review of all the policies of the group's insurance legal entities. The assessment should take into account the governance structure and model adopted by and across the group. It should also be acceptable to supervisors to have certification and risk-based monitoring as effective methods of oversight for policy review.</p>	Agreed. But this paragraph describes expectations towards insurers as already included in ICPs. See also para. 66, which specifies what the group-wide supervisor and other involved supervisors should pay particular attention to.
166. The Geneva Association	Switzerland	No	<p>We suggest the following edits: Delete first bullet and edit the second bullet as follows:</p> <p>“review the group internal audit plan and internal audit reports to check for issues ...”</p>	See answer to comment 163.
<b>74 - Q74 Comment on Paragraph 69 (Paragraph 73 in the final version)</b>				
<b>75 - Q75 General comments on Subsection 3.5 (Risk management)</b>				
167. International Actuarial Association	International	No	<p>Section 3.5.3 covers risk management assessment but focuses mainly on documentation reviews and does not discuss what documentation should be reviewed nor does it propose any supervisory work to assess how risks are managed, how models are used, results of stress tests are used etc.</p> <p>Section 3.5.4 addresses risk aggregation but does not appear to include a discussion of how the base risks are to be assessed.</p>	<p>The objective of the Application Paper is to provide further advice, illustrations, recommendations or examples of good practice to supervisors, but the Application Paper does not pretend to be complete, nor to discuss the details of its implementation.</p> <p>Noted. Based on other comments, some improvements have been made to this section.</p>
<b>76 - Q76 Comment on Paragraph 70 (Paragraph 74 in the final version)</b>				
168. Insurance Europe	Europe	No	Insurance Europe has concerns about the broad use of the term “independent” in this paragraph. It should be ensured that insurance groups and firms have the	Not agreed. The term “independent” is in line with ICP 8.3 which “requires the insurer to have

			flexibility to utilise a variety of tools to support the independence and authority of Key Persons in Control Functions and not be required to adopt particular structures.	effective control functions with the necessary authority, independence and resources.” There is no requirement to adopt particular structures.
169. Global Federation of Insurance Associations	Global	No	A clearer definition of “independent” would be helpful.	Noted. Please refer to ICP 7.3.7 – 7.3.10.
170. The Geneva Association	Switzerland	No	We have concerns about the broad use of the term “independent” in this paragraph. We would want to make sure that insurance groups and firms have the flexibility to utilize a variety of tools to support the independence and authority of Key Persons in Control Functions and not be required to adopt particular structures.	Please see answer to comment 169.
<b>77 - Q77 Comment on Paragraph 71 (Paragraph 75 in the final version)</b>				
171. Global Federation of Insurance Associations	Global	No	We recommend, that in addition to documents, other sources of information such as interviews would be helpful.	Agreed. The following sentence has been added: “In addition to formal documents from within the organization, other sources of information could be used as a complement to better understand risk culture across the group, such as interviews with relevant representatives of the head of the group (Board, Senior Management, relevant employees) or external parties (analysts, stakeholders).”
<b>78 - Q78 Comment on Paragraph 72 (Paragraph 76 in the final version)</b>				
172. International Actuarial Association	International	No	The assertion in paragraph 72 that having good documentation demonstrates that “risk culture is promoted across the group”, is not entirely correct and is misleading. The sentence could be interpreted as meaning that good documentation is all that is needed. Good documentation is a necessary ingredient of a sound risk culture, but not sufficient to demonstrate the existence of a sound risk culture.	It is agreed that good documentation is a necessary ingredient of a sound risk culture, but not sufficient to demonstrate its existence. The paragraph was amended in order to avoid such an impression.
<b>79 - Q79 Comment on Paragraph 73 (Paragraph 77 in the final version)</b>				

173. Insurance Europe	Europe	No	Whereas Insurance Europe has no strong objections to the content of the list of examples for “effective communication and information”, these again seem to represent obligations for insurers rather than good practices for supervisors. Insurance Europe would recommend references to the relevant ICPs/ComFrame provisions instead.	Not agreed. “Should” indicates a good practice.
<b>80 - Q80 Comment on Paragraph 74 (Paragraph 78 in the final version)</b>				
<b>81 - Q81 Comment on Paragraph 75 (Paragraph 79 in the final version)</b>				
<b>82 - Q82 Comment on Paragraph 76 (Paragraph 80 in the final version)</b>				
174. Insurance Europe	Europe	No	This paragraph suggests that the supervisor should have a role in determining the appropriateness of a group’s risk appetite limit. While the group’s risk appetite policy and risk appetite level is something that is widely shared with regulators and a company may be questioned and challenged on its risk appetite, Insurance Europe does not believe that it is the role of the supervisor to determine the appropriateness of the group’s risk appetite.	Agreed. The second sentence has been rewritten as follows: “The group-wide supervisor may question and challenge the appropriateness of the risk appetite set at the group level and the group’s risk exposure alignment to that appetite.”
175. Global Federation of Insurance Associations	Global	No	It is not the role of the group-wide supervisor to determine the appropriateness of a group’s risk appetite limits. We, therefore, request that the 2nd sentence be deleted or modified accordingly.	Agree. See answer to comment 174.
176. The Geneva Association	Switzerland	No	This para suggests that the supervisor should have a role in determining the appropriateness of a group’s risk appetite limit. The group’s risk appetite policy and risk appetite level is something that is widely shared with regulators. The company may also be questioned and challenged on its risk appetite but we do not believe that it is the role of the supervisor to determine the appropriateness of the group’s risk appetite.	Agree. See answer to comment 174.
<b>83 - Q83 Comment on Paragraph 77 (Paragraph 81 in the final version)</b>				
177. Insurance Europe	Europe	No	Insurance Europe would urge that an element of materiality be added into this paragraph, particularly as it relates to the last sentence. Further, Insurance Europe recommends reconsidering the good practice set out in the second sentence, as the wording currently suggests an endorsement of dashboards above other communication tools, which in Insurance Europe’s view is unwarranted.	Agreed. The following sentence has been added after the first sentence to clarify and also to take into account this element of materiality: “It is good practice for the group-wide supervisor to assess in cooperation with other involved supervisors whether both the group and insurance legal



				entities within the group maintain, monitor and adequately report risk in a manner that distinguishes between group risks and material risks at the legal entity level.”
178. Global Federation of Insurance Associations	Global	No	Not all groups and insurance legal entities use risk dashboards to report and distinguish between group and local risks. In addition, the materiality of local risks should be considered. Therefore, the second and third sentences should be deleted, or in the alternative, modified accordingly (e.g., replace “risk dashboards” with “risk reporting structures”; replace “distinguish between group risks and local risks” with “distinguish between group risks and material local risks”).	See response to comment 177.
179. The Geneva Association	Switzerland	No	This paragraph states that both the group and insurance legal entities should monitor and report risk dashboards that distinguish between group and local risks, indicating that insurance legal entities should maintain a dashboard of all local risks. We strongly urge the IAIS to add an element of materiality to this point. [we suggest the following text to be deleted] This should recognise that it may not be proportionate to report local risks at group level, and where it is they would most likely also represent risks for the group, also referring to a general principle of materiality. [end of text suggested for deletion]	See response to comment 177.  Agreed to add the element of materiality at the end of the last sentence: “...adequately include all <b>material</b> local risks.”
<b>84 - Q84 Comment on Paragraph 78 (Paragraph 82 in the final version)</b>				
<b>85 - Q85 Comment on Paragraph 79 (Paragraph 83 in the final version)</b>				
<b>86 - Q86 Comment on Paragraph 80 (Paragraph 84 in the final version)</b>				
180. Insurance Europe	Europe	No	This paragraph introduces a new onerous requirement, that the insurer/group should provide the group-wide supervisor with access to group and legal entity internal audit reports. Insurance Europe reiterates the point made by the IAIS in paragraph 1 that the application paper should not be introducing new requirements.	Not agreed. The paragraph has been reworded to make it clear that it does not include a new requirement (see also answer to comment 181).

181. Global Federation of Insurance Associations	Global	No	<p>This paragraph encourages the group-wide supervisor to require access to internal audit reports for all the entities within the group; however, a group-wide supervisor cannot place requirements on entities over which it has no authority. Additionally, in most cases, we would expect the group-wide supervisor to defer to the local supervisor for the review of legal entity internal audit reports.</p> <p>For the reasons cited above for Paragraph 68, supervisors should not be able to review the internal audit reports of a group or insurance legal entities. We request that the 3rd and 4th sentences of this paragraph be deleted.</p> <p>As an alternative procedure, the group-wide supervisor could make inquiry about the scope of the group-wide internal audit function. This approach respects jurisdictional limitations and avoids any suggestion that the group-wide supervisor can issue blanket requests throughout the group.</p>	The sentences have been kept, but revised. See new wording, which specifies what the group-wide supervisor should focus on.
182. General Insurance Association of Japan	Japan	No	Although the paragraph indicates that the group-wide supervisor should require access to group internal audit reports as well as those of insurance legal entities within the group, regardless of whether the insurance legal entities within the group are in or out of the group-wide supervisor’s jurisdiction, this overlaps with practices of involved supervisors, and therefore should only be addressed by them (rather than the group-wide supervisors).	See response to comment 181.
183. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	<p>This paragraph encourages the group-wide supervisor to require access to internal audit reports for ALL the entities within the group; however, a group-wide supervisor cannot place requirements on entities over which it has no authority. Additionally, in most cases, we would expect the group-wide supervisor to defer to the local supervisor for the review of legal entity internal audit reports.</p> <p>The focus here should be on the supervisory action, not access; suggest revising to: “The group-wide supervisor should review group internal audit reports and, where possible, those of insurance legal entities within the group. If a group-wide supervisor does not have access to internal audit reports of insurance legal entities within the group, it should coordinate with the other involved supervisors to access those reports.”</p>	<p>See response to comment 181.</p> <p>See response to comment 181.</p>
<b>87 - Q87 Comment on Paragraph 81 (Paragraph 85 in the final version)</b>				

184. Global Federation of Insurance Associations	Global	No	<p>This paragraph states that the group-wide supervisor should assess whether the risk management function establishes clear responsibilities for key personnel at all insurance legal entities. In most cases, we would expect the group-wide supervisor to defer to the local supervisor in this area. The group-wide supervisor would probably rely on the insurance legal entity supervisors for the assessments of the risk management functions of Key Personnel of such legal entities. We, therefore, request that the 1st sentence of this paragraph be modified accordingly.</p> <p>We support the notion of this Application Paper to allow for variety in approaches to group governance structure between the two extremes of more centralized and more decentralized. However, we would suggest to add:” In a more centralized model” to the second bullet, as this paragraph states an example that fits a more centralized model.</p>	<p>Agreed. The first sentence has been reformulated as follows: “...at the head of the group and, <u>through other involved supervisors</u>, at all insurance legal entities.”</p> <p>Not agreed, as these practices are relevant, even though to a lesser extent, for more decentralized models</p>
185. The Life Insurance Association of Japan	Japan	No	<p>We support the notion of this Application Paper to allow for the variety in group governance structure approached including the two extremes of more centralised and more decentralized. The paper includes some examples that fit in a more centralised model without clear reference to its preference to a more centralised model. Therefore we would suggest to indicate such preference to avoid misunderstanding by including some languages such as “in a more centralised model” in following paragraphs, for example:</p> <p>-paragraph 81, first bullet, which reads as “development and implementation setting out common risk management procedures across the group to promote consistency of risk management”</p> <p>-paragraph 91, third sentence, which reads as “a group can promote a common compliance approach and adequate group compliance by ensuring that compliance personnel at the group level are members of compliance oversight committees or their equivalent at the individual entity level.”</p>	See answer to comment 184.
186. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	This paragraph states that the group-wide supervisor should assess whether the risk management function establishes clear responsibilities for key personnel at ALL insurance legal entities. In most cases, we would expect the group-wide supervisor to defer to the local supervisor in this area.	See answer to comment 184.

<b>88 - Q88 Comment on Paragraph 82 (Paragraph 86 in the final version)</b>				
187. Insurance Europe	Europe	No	Insurance Europe disagrees that time or resources devoted to risk management decisions are determinative indicators for the assessment of the soundness of the ultimate decisions made or the overall risk management framework of the group. Such assumptions would be too general, emphasising form over substance of the risk management within the group.	Noted. It has been clarified that this is one of potential indicators that can be used.
<b>89 - Q89 General comments on Subsection 3.6 (Compliance)</b>				
<b>90 - Q90 Comment on Paragraph 83 (Paragraph 87 in the final version)</b>				
188. Insurance Europe	Europe	No	This paragraph should recognise that any information sharing must be done in accordance with confidentiality agreements/rules.	As regards confidentiality, see response to comment 21.
<b>91 - Q91 Comment on Paragraph 84 (merged with Paragraph 85 into Paragraph 88 in the final version)</b>				
189. Global Federation of Insurance Associations	Global	No	The paragraph ends by saying the interrelationships and interdependencies between risks are of foremost importance, but it is unclear what this means. Additionally, most of this paragraph is repeated in paragraph 88 – the duplication needs to be deleted in one or the other.	Agreed to delete the second and third sentence, as they are duplicated in Paragraph 88 (now paragraph 91). The first sentence of paragraph 84 has been merged with paragraph 85 (now paragraph 88).
190. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The paragraph ends by saying the interrelationships and interdependencies between risks are of foremost importance, but it is unclear what this means. Important to whom? In what context?  Additionally, most of para 84 is repeated in para 88 – the duplication needs to be deleted in one or the other.	See response to comment 189.
<b>92 - Q92 Comment on Paragraph 85 (merged with Paragraph 84 into Paragraph 88 in the final version)</b>				
<b>93 - Q93 Comment on Paragraph 86 (Paragraph 89 in the final version)</b>				
191. Insurance Europe	Europe	No	In relation to risk aggregation and potential horizontal peer reviews on several aspects thereof, Insurance Europe would like to stress that differences in regulatory regimes – both quantitative and qualitative – should be recognised appropriately. Insurance Europe would urge that supervisors not aim to achieve universal comparability in that regard via peer reviews.	Noted.

94 - Q94 Comment on Paragraph 87 (Paragraph 90 in the final version)				
192. Insurance Europe	Europe	No	Insurance Europe proposes amending this paragraph in relation to the example of heatmaps. Heatmaps may be used in a variety of contexts and groups may decide to focus on other efficient tools for their risk aggregation. Going even further in the example, the last half sentence (“failure to do so is a red flag for substandard risk management”) seems to be an arbitrary, highly subjective judgement that may not be correct in all cases. This is a particularly strongly worded clause, and should be deleted or amended.	Last sentence has been amended to be read as follows: “...failure to do so may be an indication of substandard risk management.”
193. Global Federation of Insurance Associations	Global	No	<p>This paragraph stresses the importance of heat maps in assessing risk aggregation. Based on our experience, heat maps are used to graphically present a summary of overall risk exposures, as opposed to aggregating risks across entities. Tools used to aggregate risk exposures across various legal entities may include data aggregators, data models, copulas, correlation matrixes, etc.</p> <p>Not all groups use or regularly update heat maps, and failure to do so does not indicate that there is “substandard risk management”. We, therefore, request that the last sentence of this paragraph be deleted.</p>	<p>Noted.</p> <p>See response to comment 192.</p>
194. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	<p>This paragraph stresses the importance of heatmaps in assessing risk aggregation. Based on our experience, heatmaps are used to graphically present a summary of overall risk exposures, as opposed to aggregating risks across entities. Tools used to aggregate risk exposures across various legal entities may include data aggregators, data models, copulas, correlation matrixes, etc.</p> <p>Additionally, suggest deleting, “failure to do so is a red flag for substandard risk management” as this seems to be a very subjective statement, which does not appear in other parts of this paper.</p>	See responses to comments 192 and 193.
95 - Q95 Comment on Paragraph 88 (Paragraph 91 in the final version)				
195. Insurance Europe	Europe	No	Insurance Europe believes that the general recommendation to assess whether risks are analysed at group level as well as at insurance legal entity level may not account for the diversity of group structures that exist in practice. Insurance Europe would suggest that this formal check per se does not provide sufficient	Noted.

			substance for any conclusions on the soundness of the risk analysis and management within the group in general.	
196. Global Federation of Insurance Associations	Global	No	We request that the term “interrelationships and interdependencies between risks” be clarified and/or further defined.	Agreed. We have clarified the fact that interrelationships and interdependencies could amplify risks over otherwise acceptable limits when taken separately.
<b>96 - Q96 Comment on Paragraph 89 (Paragraph 92 in the final version)</b>				
197. Global Federation of Insurance Associations	Global	No	The first sentence should not refer to “the group policy on risk management” as this might not be included in the group policy. Instead, the reference should be to the documentation of risk management processes, as per similar suggestions above.	No need to reference “documentation of risk management processes” as this is implied by “policies on risk management, either at the group or entity level.”
<b>97 - Q97 Comment on Paragraph 90 (Paragraph 93 in the final version)</b>				
<b>98 - Q98 Comment on Paragraph 91 (Paragraph 94 in the final version)</b>				
198. AIA Group	Hong Kong	No	We suggest the guidance under this paragraph take into consideration the governance structure of an insurance group as this would influence the appropriate and applicable approaches to be observed by and within the group.	Noted.
199. The Life Insurance Association of Japan	Japan	No	<p>We support the notion of this Application Paper to allow for the variety in group governance structure approached including the two extremes of more centralised and more decentralized. The paper includes some examples that fit in a more centralised model without clear reference to its preference to a more centralised model. Therefore we would suggest to indicate such preference to avoid misunderstanding by including some languages such as “in a more centralised model” in following paragraphs, for example:</p> <p>-paragraph 81, first bullet, which reads as “development and implementation setting out common risk management procedures across the group to promote consistency of risk management”</p> <p>-paragraph 91, third sentence, which reads as “a group can promote a common compliance approach and adequate group compliance by ensuring that</p>	<p>Although examples of practices may better fit in a more centralized models, they could also be appropriate in a more decentralized model.</p> <p>See section on Paragraph 81.</p> <p>See modification above.</p>

			compliance personnel at the group level are members of compliance oversight committees or their equivalent at the individual entity level.”	
<b>99 - Q99 Comment on Paragraph 92 (Paragraph 95 in the final version)</b>				
200. Global Federation of Insurance Associations	Global	No	The last sentence should read, “...the compliance risks and matters of the insurance legal entities under their purview.”	Agreed.
201. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Last sentence should read, “...the compliance risks and matters of the insurance legal entities under their purview.”	Agreed.
<b>100 - Q100 Comment on Paragraph 93 (Paragraph 96 in the final version)</b>				
202. Insurance Europe	Europe	No	<p>The obligations set out in paragraph 93, in relation to the group compliance function, belong to the governance framework for insurers/groups rather than to an application paper on supervisory good practice.</p> <p>Additionally, the wording used in the last sentence of this paragraph (“If the involved supervisor is uncomfortable with the group compliance function...”) does not accurately reflect the fact that there must be concrete grounds why a supervisor doubts the ability of the compliance function chosen by the Board. The supervisor should have to show some evidence of the poor understanding, or that there is a lack of processes and procedures to ensure sufficient expertise on the part of the group compliance function.</p>	<p>The paragraph sets out good supervisory practices relevant for this area of corporate governance.</p> <p>Agreed. The last sentence has been modified accordingly.</p>
203. Global Federation of Insurance Associations	Global	No	In the last sentence, the phrase ‘If an involved supervisor is uncomfortable with’ seems to be a very subjective test. “Alternative arrangements” should only apply when supervisory requirements are not (or potentially not) met rather than “when a supervisor is uncomfortable”.	See response to comment 202.
204. AIA Group	Hong Kong	No	Some of the elements in this paragraph appear to be extreme. We suggest the review should consider the appropriate skill set and talent pool in the relevant market as well as the availability of other structures. Should a supervisor be	See response to comment 202.

			uncomfortable with a group compliance function performing the compliance function at an insurance legal entity level, an process to actively engage and discuss the concern with the insurance group should be initiated with the involved supervisor communicating the nature of the concern and the parties involved working towards a resolution. Moreover, supervisors may not have the authority under local law to direct entity level boards to make alternative arrangements.	
205. Dirección General de Seguros y Fondos de Pensiones	Spain	No	If the situation mentioned in this paragraph should happen the Board of the insurance legal entity should be informed about the conclusions reached in relation with the individual insurance legal entity. A reference to this duty should be included in the paragraph as well.	See response to comment 202.
206. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Last sentence – a supervisor being “uncomfortable” seems to be a very subjective test; suggest taking such actions should be tied to not (or potentially not) meeting supervisory requirements rather than discomfort.	See response to comment 202.
<b>101 - Q101 Comment on Paragraph 94 (Paragraph 97 in the final version)</b>				
207. Insurance Europe	Europe	No	This paragraph introduces a new requirement for insurers/groups, which is not in the spirit of paragraph 1 of the draft application paper.  Furthermore, this new requirement of putting “sufficient emphasis” on compliance is too subjective, and the consequences of non-compliance with it – ie meetings to discuss relevant issues – is also unnecessarily vague.	Noted. The paragraphs describes a good supervisory practice. The first part of the sentence has been deleted, in order to indicate the importance of compliance under any circumstances.
208. Global Federation of Insurance Associations	Global	No	In the first sentence, the phrase: “When the group does not put sufficient emphasis on compliance” seems to be a very subjective test. The stated “good practice” should only apply when the group is not (or potentially not) meeting compliance requirements.  The requirement that the group-wide supervisor may have meetings with any other relevant compliance personnel at the group to discuss any relevant issues is not in the spirit of paragraph 1. It would constitute a new standard; is overly granular yet	Noted - see response to comment 207.



			extremely vague in scope and undermines the relevance of the Chief Compliance Officer as a contact person.	
209. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	First sentence – not having sufficient emphasis seems to be a very subjective test; suggest such this would be good practice when the group is not (or potentially not) meeting compliance requirements rather than degree of emphasis.	Noted - see response to comment 207.
<b>102 -</b>				
Q102 General comments on Subsection 3.7 (Control Functions)				
<b>103 - Q103 Comment on Paragraph 95 (Paragraph 98 in the final version)</b>				
210. Insurance Europe	Europe	No	The third bullet requires group representation on entity based risk committees. Again, it seems the draft application paper is attempting to introduce a new requirement, and is unduly excessive, particularly for a decentralised group. Committee membership is not the only way that assurance can be gained that there is alignment of group wide risk management and compliance. The focus should be on understanding how this can be achieved, rather than specifying an approach.	Paragraph 95 is an extract out of the Issues Paper and reflected in the footnote as well.
211. Global Federation of Insurance Associations	Global	No	The third bullet requires group representation on entity based risk committees. This requirement seems excessive, and in particular does not take into account decentralized groups. Committee membership is not the only way that assurance can be gained that there is alignment of group wide risk management and compliance. The focus should be on firms being able to demonstrate how this is achieved rather than on a specific approach.	See response to comment 210.
<b>104 - Q104 Comment on Paragraph 96 (Paragraph 99 in the final version)</b>				
212. AIA Group	Hong Kong	No	We suggest the separation of oversight function from the management function should consider the governance structure as well as relevant policies in place to ensure potential conflict of interest is managed in cases where these functions are combined. In addition, the assessment of the performance of each control function could be delegated by the board.	Noted. The last sentence under this paragraph has been amended as follows:  "This assessment can be performed by the Board or an appropriate committee delegated by the Board."

<b>105 - Q105 Comment on Paragraph 97 (Paragraph 100 in the final version)</b>				
<b>106 - Q106 Comment on Paragraph 98 (Paragraph 101 in the final version)</b>				
213. Dirección General de Seguros y Fondos de Pensiones	Spain	No	It's mentioned that in a more centralised model , the group wide supervisor is better placed to validate the effectiveness of Control Functions at both the group wide and insurance legal entity level, and..... If this should be the case it should seem appropriate that the validation at insurance legal entity level should be performed in cooperation with the respective involved supervisor.	The sentence has been deleted.
<b>107 - Q107 Comment on Paragraph 99 (Paragraph 102 in the final version)</b>				
214. AIA Group	Hong Kong	No	Our comment is that escalation protocols should be handled and managed within the governance structure adopted by and within the group, which the supervisors must consider.	Noted. The second sentence has been edited as follows: "... within group to the head of the group taking into consideration group-wide escalation policies and procedures."
<b>108 - Q108 Comment on Paragraph 100 (Paragraph 103 in the final version)</b>				
215. Global Federation of Insurance Associations	Global	No	In the first sentence, the combination of such functions may not necessarily be a question of legality. We suggest that the first part of the paragraph be replaced with: "In jurisdictions where the risk management and compliance functions may be combined, the supervisor should..." Additionally, based on our experience, independence between the internal audit function and the risk management is more important than independence from the compliance function. Therefore, we would encourage some discussion of the internal audit function in this paragraph. In a small company the control functions may be combined.	Agreed to amend the first sentence as follows: "In jurisdictions where the risk management function and the compliance function may be combined..."  The combination of the second line of defense (ie Risk Management and Compliance) and third line of defense never happens. Keeping those two defense lines as separate ones is an inherent principle that is not subject of discussion. This principle is not a function of size of the insurer, conflict of interest is an inherent element of combining these two functions.
216. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	First sentence – combination of such functions may not necessarily be a question of legality, suggest: "In jurisdictions where the risk management and compliance function may be combined..."	See response to comment 215.

			Additionally, based on our experience, independence between the internal audit function and the risk management is more important than independence from the compliance function. Therefore, we would encourage some discussion of the internal audit function in this paragraph.	
<b>109 - Q109 Comment on Paragraph 101 (Paragraph 104 in the final version)</b>				
217. Insurance Europe	Europe	No	Similar to the comments provided on paragraph 88 (Q82) regarding risk management, Insurance Europe doubts that resources (especially in the pure sense of numbers, roles, and expertise of personnel) provide any determinative indication – neither on a stand-alone basis, nor when compared via peer reviews – on the effectiveness of the governance control functions. This is also a very intrusive way of assessing the control function.	Not agreed. However, the last sentence has been deleted in order to make the paragraph less granular.
218. Global Federation of Insurance Associations	Global	No	This paragraph suggests that the number of staff and their role and expertise be considered by the regulator in assessing resources devoted to Control Functions. This is quite intrusive, and also not determinative in assessing the insurer’s commitment to its Control Functions.	See response to comment 217.
<b>110 - Q110 Comment on Paragraph 102 (Paragraph 105 in the final version)</b>				
219. Insurance Europe	Europe	No	It is unclear whether the intention of the last sentence in paragraph 102 is to recommend that supervisors assess whether external auditors are sufficiently qualified to perform their responsibilities. If that is the case, Insurance Europe would suggest that this be reconsidered as, in the majority of cases, external auditors will be required to comply with the local professional standards and regulatory requirements. Additional responsibilities for the insurance supervisors would therefore neither be efficient nor necessary.  The sentence “an objective external reviewer should conduct such an assessment as to the internal audit function” should further be deleted as, in Insurance Europe’s view, the internal audit function should conduct this assessment.	Not agreed. This paragraph has no bearing on the external audit function, however it deals with the assessment of the internal audit function by an objective external reviewer. This assessment is common practice and is also fostered by international internal audit standard – Standard 1310 of the International Professional Practices Framework – Requirements of the Quality Assurance and Improved program.
220. Global Federation of Insurance Associations	Global	No	The second and last sentences should be deleted. These sentences give the supervisor too much authority with respect to the internal audit function. The statement that the internal audit control function should itself be subject to an external assessment may not be proportionate.	Not agreed. See response to comment 219.

221. The Geneva Association	Switzerland	No	This paragraph states the internal audit control function should itself be subject to an external audit which may not be proportionate.	Not agreed. See response to comment 219.
<b>111 - Q111 Comment on Paragraph 103 (Paragraph 106 in the final version)</b>				
222. Insurance Europe	Europe	No	Although the aim of the application paper is to provide examples of good supervisory practice, this paragraph is impliedly setting out very granular requirements for insurers/groups – ie regular periodic meetings between group and entity-level control functions. Insurance Europe would strongly suggest that this be reconsidered.	These were suggestions from the Issues Paper, which are referred to in this Application Paper.
<b>112 - Q112 Comment on Paragraph 104 (Paragraph 107 in the final version)</b>				
<b>113 - Q113 Comment on Paragraph 105 (Paragraph 108 in the final version)</b>				
223. Insurance Europe	Europe	No	Although the aim of the application paper is to provide examples of good supervisory practice, this paragraph is impliedly setting out very granular requirements for insurers/groups, ie requirements for reporting to involved supervisors. Insurance Europe would strongly suggest that this be reconsidered.	Not agreed. The paragraph is not setting new standards, as part of the supervisory practices the involved supervisor can obtain information in respect of the activities of the control function, and part of this information (for example reports) to the local board as well to the group.
224. Global Federation of Insurance Associations	Global	No	This paragraph is overly granular and effectively constitutes a new standard. For example, it provides that involved supervisors should obtain the reporting provided from insurance legal entity Control Functions to the group Control Function, as well as the insurance legal entity level Control Function reports to the local Board or Board committee.	See response to comment 223.
<b>114 - Q114 Comment on Paragraph 106 (Paragraph 109 in the final version)</b>				
225. Insurance Europe	Europe	No	While there can be merit for decentralised groups having a forum to share best practices on a range of operational, strategic, and emerging topics, this should be a matter for the insurer to determine and the supervisor to gain comfort over the arrangements put in place. Insurance Europe does not agree that such a forum should be at the forefront of the design and development of recovery plans for the group, or assess their effectiveness. Recovery planning is likely to be a centralised group discipline given its forward-looking focus, which will necessarily differ from	Agreed. The third sentence has been deleted.

			the sharing of best practices in an operational context. It will be for the insurance group to determine its arrangements not for the supervisor to specify.	
226. Global Federation of Insurance Associations	Global	No	<p>Having a group control function forum may be an example of a mechanism groups with a decentralized approach could use to help better coordinate, but the wording in the paragraph seems to suggest that this is the only mechanism and rather than just one potential mechanism. It gets very detailed on what the forum should do and how the supervisor should assess it. Instead of reading like an example of something a group may have in place to help with its group governance given its circumstances and structure, it comes across very prescriptive which seems contrary to the goal of this paper. The third sentence should be revised to exclude the reference to recovery plan. It is likely that the reference to recovery plan would be misunderstood to suggest it as a best practice or a commonly agreed view that any insurance group has recovery plan in place contrary to the fact that not every insurance group is required to have recovery plan in place.</p> <p>Even when the reference to recovery plan cannot be excluded, it should nevertheless at least be revised to reflect the limited scope of the requirement for recovery planning subject to the FSB’s Key Attributes of Effective Resolution Regimes for Financial Institutions; the Key Attributes defines the scope as “all G-SIFs and for any other firm that its home authority assesses could have an impact on financial stability in the event of its failure”(KA 11.2).</p> <p>We agree that there may be merit for decentralized groups having a group Control Function forum to share best practices within the group on a range of operational, strategic and emerging topics. However, we do not agree that such a forum should be at the forefront of the design and development of recovery plans for the group, or assess the effectiveness of such plans. Recovery planning is likely to be a centralized group discipline given its forward-looking focus, which will necessarily differ from the sharing of best practices in an operational context.</p> <p>It should be a matter for the insurance group to determine the nature and remit of any internal arrangements it adopts. The supervisor’s role should be to assess their adequacy and not prescribe what they should be. In some jurisdictions, not all groups are required by their supervisors to develop recovery plans. We, therefore,</p>	See response to comment 225.

			<p>request that the 3rd sentence of this paragraph be modified accordingly (e.g., add “if required” after “recovery plans of the insurance group”).</p> <p>In total, this paragraph provides another example of a new standard that is extremely granular, burdensome and unproductive.</p>	
227. The Life Insurance Association of Japan	Japan	No	<p>Paragraph 106 states that a more decentralized insurance group should design and develop recovery plans of the group, and assess the effectiveness of such plans. However, it is likely the reference to a recovery plan would lead to a misunderstanding and it is suggested as a good practice or a commonly agreed view that any insurance group has a recovery plan in place, contrary to the fact that not every insurance group is required to have recovery plan in place. Therefore, We would disagree with the third sentence of paragraph 106.</p> <p>It should be revised to reflect the limited scope of the requirement for recovery planning subject to the FSB’s Key Attributes, which is defined as “all G-SIFIs and for any other firm that its home authority assesses could have an impact on financial stability in the event of its failure”. It cannot be a good practice for an insurance group that is not subject to the FSB’s statement, to have a recovery plan in place.</p>	See response to comment 225.
228. The Geneva Association	Switzerland	No	<p>This section states that a control group forum should be at the forefront of the design and development of recovery plans and assess the effectiveness of those plans. Any such requirement would need to allow for whether a recovery plan is required in the first place for certain types of groups and if required how proportionate the development of that recovery plan is given the circumstances of the group.</p>	See response to comment 225.
229. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	<p>Having a group control function forum may be an example of a mechanism groups with a decentralised approach could use to help better coordinate, but the wording in the paragraph seems to suggest that this is the only mechanism and rather than just one potential mechanism. It gets very detailed on what the forum should do and how the supervisor should assess it. Instead of reading like an example of something a group may have in place to help with its group governance given its circumstances and structure, it comes across very prescriptive which seems contrary to the goal of this paper.</p>	See response to comment 225.

<b>115 - Q115 Comment on Paragraph 107 (Paragraph 110 in the final version)</b>				
<b>116 - Q116 Comment on Paragraph 108 (Paragraph 111 in the final version)</b>				
230. The Geneva Association	Switzerland	No	This paragraph indicates that supervisors should have direct access to the outsourced Control Functions and ask for minutes of the Board meetings to validate that the Board discussed and assessed the effectiveness of the group Control Functions which seems disproportionate.	Not agreed. Paragraph 108 (now 111) does not imply this. The paragraph refers to the concept of insourcing and center for excellence.
<b>117 - Q117 Comment on Paragraph 109 (Paragraph 112 in the final version)</b>				
<b>118 - Q118 Comment on Paragraph 110 (Paragraph 113 in the final version)</b>				
231. Global Federation of Insurance Associations	Global	No	Some of the wording used in the second sentence is unclear – “statutory information submission/lodgment” is not terminology used in other IAIS material. Suggest simply saying, “...as part of regular supervisory reporting requirements.”  The third sentence should be deleted – supervisory requirements can make such stipulations, but it is not the role of the supervisor or the IAIS to tell insurers what their internal policies should stipulate.	Agreed.  Not agreed, as it will hamper the supervision of the insurance legal entity and the outsourced activities. This element of the policy is aimed at enhancing efficiency of supervision.
232. General Insurance Association of Japan	Japan	No	Although this paragraph indicates that involved supervisors should have direct access to a group’s outsourced Control Functions, it would be efficient for the group-wide supervisor to have such access to avoid unnecessary confusion.	Noted. The group-wide supervisor is one of the involved supervisors.
233. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Some of the wording used in the second sentence is unclear – “statutory information submission/lodgement” is not terminology used in other IAIS material. Suggest simply saying, “...as part of regular supervisory reporting requirements.”  The third sentence should be deleted – supervisory requirements can make such stipulations, but it is not the role of the supervisor or the IAIS to tell insurers what their internal policies should stipulate.	See response to comment 231 (second part).
<b>119 - Q119 Comment on Paragraph 111 (Paragraph 114 in the final version)</b>				

234. Insurance Europe	Europe	No	<p>In reference to ICP 8, Insurance Europe suggests reconsidering the recommendation to dedicate more supervisory attention to outsourced control functions than to control functions that do not rely on outsourcing.</p> <p>Where permitted by local regulations, groups may decide to outsource control functions for a variety of reasons and will still be required to comply with standard regulatory requirements on outsourcing. These generally aim to maintain the ultimate responsibility with the outsourcee. The wording “rely on outsourcing”, however, seems to imply that the group is able and intending to transfer all responsibility and would therefore create risk that required additional supervisory attention. Instead, Insurance Europe would encourage supervisors to assess and rely on the oversight and internal control processes of the insurer in monitoring outsourcing arrangements.</p> <p>There are existing mechanisms ensuring that regulators are informed of outsourcing arrangements but it should not be stipulated that supervisors have a role in approving outsourcing arrangements. The third sentence of this paragraph – which to Insurance Europe’s understanding exceeds the scope of the related provisions in the ICPs – should therefore be deleted or modified.</p>	<p>The first sentence has been reworded, and it refers now to guidance included in ICP 8.8.4.</p> <p>Agreed. The sentence has been deleted.</p>
235. Global Federation of Insurance Associations	Global	No	<p>It may not be effective or efficient for the supervisor to conduct “visits on any third party to whom the insurer outsources any material activities and/or functions.” Instead, we would encourage supervisors to assess and rely on the oversight and internal control processes of the insurer in monitoring outsourcing arrangements as long as they are found to be operating effectively.</p> <p>This paragraph suggests prudential standards highlight activities and functions requiring supervisory pre-approval before being outsourced. This goes beyond ICP 8.8.4, which says the supervisor should require an outsourcing policy, and should consider issuing additional requirements for outsourcing, or dedicating more supervisory attention, but does not require supervisory pre-approval of outsourcing arrangements.</p> <p>The recommendation to dedicate more supervisory attention to outsourced control functions than control functions that do not rely on outsourcing should be reconsidered.</p>	<p>Not agreed. On-site visits of the service providers of the outsourced activities should be considered as good supervisory practice.</p> <p>See response to comment 234.</p> <p>See response to comment 234.</p>



			<p>Where permitted by local requirements, groups may decide to outsource control functions for a variety of reasons and will still be required to comply with standard regulatory requirements on outsourcing. These generally aim to maintain the ultimate responsibility with the outsourcer. The wording “rely on outsourcing”, however, seems to imply that the group is able and intending to transfer all responsibility and would therefore create risk that required additional supervisory attention.</p> <p>Instead, GFIA would encourage supervisors to assess and rely on the oversight and internal control processes of the insurer in monitoring outsourcing arrangements. It is not the role of supervisors to determine which activities or functions of the group and insurance legal entities require prior approval before being outsourced. We, therefore, request that this paragraph be modified accordingly.</p>	The first sentence has been deleted. See response to comment 234.
236. Dirección General de Seguros y Fondos de Pensiones	Spain	No	<p>It’s mentioned in its fourth paragraph that the insurer ( for example) should perform regular reviews of the entity performing the outsourced activity, whether inside the group or a third party....</p> <p>The nomination of a responsible person in the insurer ( or group) that has outsourced the activity in relation with this review seems appropriate .</p> <p>This responsible person should be in charge to inform the respective Board about the results of the review.</p>	Noted.
237. The Geneva Association	Switzerland	No	<p>This paragraph speaks about the importance of Control Functions in the context of outsourcing. Among the various regulatory practices that are recommended it notes that “it is good practice to set out prudential standards highlighting which activities or functions require prior approval from the supervisor before being outsourced.” We recommend to amend this paragraph. There are existing mechanisms ensuring that regulators are informed of outsourcing arrangements but it should not be stipulated that supervisors have a role in approving outsourcing arrangements.</p>	The sentence has been deleted. See response to comment 234.
238. National Association of Insurance	USA, NAIC	No	<p>It may not be effective or efficient for the supervisor to conduct “visits on any third party to whom the insurer outsources any material activities and/or functions.”</p> <p>Instead, we would encourage supervisors to assess and rely on the oversight and</p>	See response to comment 234 (second response).

Commissioners (NAIC)		internal control processes of the insurer in monitoring outsourcing arrangements as long as they are found to be operating effectively.	
<b>120 - Q120 Comment on Paragraph 112 (Paragraph 115 in the final version)</b>			