

**ComFrame material integrated into ICPs 8, 15 and 16, and
Additional questions related to ICP 16 and ComFrame material integrated into ICP 16:**

**Summary of main comments received during November 2017 – January 2018 public consultation
and their resolution**

Introduction

- The IAIS received numerous comments during the Nov 2017 – Jan 2018 public consultation from both Members and Stakeholders that provided valuable input for further improvements and revisions.
- Overall ComFrame, which was published for consultation on 31 July 2018, includes ComFrame material integrated into ICPs 8, 15 and 16 that reflect comments received during the above-mentioned public consultation.
- Draft revised ICPs 8, 15 and 16 (published for consultation together with ComFrame material integrated into those ICPs in November 2017) will be published for information purposes only, following their endorsement by the Executive Committee in November 2018.¹ Both revised ICPs and Overall ComFrame are expected to be adopted in 2019.
- With this document the IAIS provides an interim update with responses to the main substantive comments received during consultation.

¹ See <https://www.iaisweb.org/page/supervisory-material/insurance-core-principles>

General comments on ComFrame material

Ref.	Summary of comments received	IAIS response
General	<p>Since the start of the ComFrame project in 2010, several of the ICPs have considerably developed (also for insurance groups aspects) and thereby contributed to a strengthening of supervisory regimes and practices. This positive development has led to a situation where the initial gaps in terms of supervisory approaches have been reduced, or even closed. Consequently, there is a need to review the initial justification for the introduction of an additional layer of requirements and to question whether the need to address specific requirements for IAIGs still exists. One strong holistic layer of requirements (ICPs) would also address the criticism by some of the IAIGs about competitive disadvantage to domestic and international groups not fulfilling IAIG criteria.</p>	<p>As indicated in the response to the same comment raised during the March-June 2017 public consultation on ComFrame (<i>Summary of the main comments on ComFrame and their resolution</i>, available here):</p> <p>The IAIS agrees that since 2010 the Insurance Core Principles (ICPs) have considerably developed and contributed to a strengthening of supervisory regimes and practices, including those related to group supervision. At the same time, the IAIS is of the opinion that ComFrame is still necessary as a comprehensive framework (building on the ICPs) to address the specific challenges posed by the supervision of internationally active insurance groups (IAIGs), in areas such as supervision of governance, recovery and resolution, supervisory review process, supervisory cooperation and coordination and solvency. While the ICPs apply to all insurance groups, there is a need for more specific standards tailored to the supervision of larger, more complex internationally active groups and related supervisory cooperation and coordination.</p> <p>ComFrame is designed to build and expand upon high level standards provided for by the ICPs. During the ongoing process of revising and restructuring, the ComFrame material has been streamlined. For example, overlaps and duplication were removed and ICP text is not copied anymore into ComFrame text. Additionally, some ComFrame material seen as applicable to all insurers or insurance groups, and not only to IAIGs, has moved to the ICPs. Therefore, standards included in ComFrame do not duplicate ICPs and are expected to be met only as regards the supervision of IAIGs. The consultation scheduled for mid-2018 will provide another opportunity to identify any part of the ComFrame material where further streamlining may be appropriate.</p>

General	Some standards are overly prescriptive in its reference to “the Head of the IAIG”.	It was not agreed that reference to “the Head of the IAIG” is too prescriptive. The group-wide supervisor has responsibility for supervision of operations of the IAIG as a group through the Head of the IAIG. The Head of the IAIG in turn has the responsibility to ensure that entities within the IAIG operate prudently within regulatory requirements.
General	ComFrame requirements are in some cases too prescriptive and limit the necessary flexibility for supervisors and insurers, whereas they should be applied in relation to the nature, scale and complexity of the IAIG. ComFrame requirements should also be written using a principles-based approach.	As reflected in the ICP Introduction, the ICPs establish the minimum requirements for effective insurance supervision and are expected to be implemented and applied in a proportionate manner. ComFrame itself is an exercise of proportionality in that ComFrame standards are tailored to reflect the nature, scale and complexity of IAIGs, which in some cases results in IAIGs needing to meet higher standards than other insurers under ICPs.
General	ComFrame requirements are too prescriptive and reflect a one-size-fits-all focus and that some ComFrame requirements suggest that a centralised approach is preferable for all IAIGs.	<p>The purpose of ComFrame is to provide requirements applicable to all IAIGs regardless of their structure and governance approach. The IAIS aims to ensure a proper balance in this regard, having in mind the protection of policyholders as an objective of insurance supervision. No specific organisational structure is prescribed for the implementation of standards in ComFrame. As such, ComFrame should not be read as advocating any preference for a specific model or excluding a particular approach.</p> <p>ComFrame does not prohibit delegation of responsibilities to different divisions or departments in order to meet the standards.</p>
General	Materiality should be taken into account and referred to explicitly in various parts of ComFrame material.	In most of the cases it is clear that the Head of the group/IAIG takes into account the overall risks and activities of individual legal entities within the group and focuses on those which are material for the group as a whole, even when materiality is not referred to explicitly. The guidance will be added to ICP 7 in order to explain the application of the principle of materiality.

		Materiality is mentioned explicitly when it is necessary taking into account the context of a standard, in particular when a standard is not supported by guidance that provides further details on which risks, activities, etc. should be considered in a particular case.
General	During this and previous public consultation it was raised that ComFrame material is not always located under the most relevant ICP text.	The location of some of the ComFrame material changed, ie ComFrame text has been moved under more relevant ICP text.

Summary of comments on ComFrame material integrated into ICP 8

Ref.	Summary of comments received	IAIS response
General	Comments were made on ComFrame material in ICP 8 that was not subject of consultation in November 2017 – January 2018.	Only the amendment presented in redline were published for comments. The rest of ComFrame text was subject to public consultation in 2017, Q2 and has been revised on the basis of comments received during that consultation.
CF8.1a.1-2 CF8.1b.2	Some of the ComFrame guidance applies to all insurance groups rather than to IAIGs only.	Some of ComFrame guidance has been removed (CF8.1a.1, CF8.1a.2, CF8.1b.2) and its content will be covered by ICP guidance.
CF8.6a	The new bullet refers to compliance issues in general, which are under the responsibility of the compliance function rather than the actuarial one: “procedures to identify compliance issues at one of the insurance legal entities in the IAIG or the IAIG as a whole, as applicable”.	The wording of the bullet has been redrafted to focus it on actuarial issues.

Summary of comments on ComFrame material integrated into ICP 15

Ref.	Summary of comments received	IAIS response
CF 15.2a (new CF 16.6a)	This standard should not require a uniform approach only in the form of an investment policy. Rather, it is more important to focus on how the Head of the IAIG appropriately manages investments, even if by different means.	This ComFrame standard and related guidance has been moved after ICP 16.6.9 which refers to the investment policy. A uniform approach to deal with low quality investments is not prescribed in the standard. IAIGs should have a group-wide investment policy, which (among other aspects) describes the group's approach to low-quality investments (whatever that approach is).
CF15.2a (new CF 16.6a)	The guidance should recognise and accommodate existing jurisdictional limitations and supervisory frameworks and avoid suggesting that formal group-wide supervision is necessary or required.	This ComFrame standard and related guidance has been moved after ICP 16.6.9 which refers to the investment policy. The proposed standard is broadly worded to require a group-wide investment policy, as part of the ERM framework. The guidance CF 15.2a.1 acknowledges the need to consider the regulatory investment requirements in each jurisdiction.
CF 15.2a.1 (new CF 16.6a.1)	Several comments questioned the rationale behind the language's focus on low-quality assets. An insurer would always need to take into account local regulatory investment requirements regardless of the quality of the assets.	This ComFrame guidance has been moved after ICP 16.6.9 which refers to the investment policy. The guidance was redrafted to remove reference to low-quality assets.
CF 15.2.b (new CF 15.2a)	Further clarification of the term "undue reliance" was requested.	The guidance was redrafted to provide clarification of "undue reliance".
CF15.2c (new CF 15.2b)	Respondents believe this standard should be removed as it relates to capital fungibility, and not to investments, and should therefore be part of ICP 17.	The ability to transfer capital is in the context of an investment policy, to the extent that fungibility of capital impacts asset investments.

		Fungibility of capital may require investments to be more liquid. Refer to ICP 15.2.16 for further context.
CF 15.2c (new CF 15.2b)	Suggestion to revise the wording to state “all reasonably foreseeable legal and practical impediments which would be material to the IAIG’s ability to transfer capital and assets on a cross-border basis” as it is challenging to consider “all potential legal and practical impediments”.	The language states “any”, not “all”. We agree to strike the word “any”.
CF 15.2c (new CF 15.2b)	Some respondents propose as a requirement for the IAIG to "document the specific assumptions made regarding the transfer of capital and assets when assessing liquidity requirements and their implications for the investment portfolio" such that it is more practical for IAIGs to carry out, while achieving roughly the same outcome.	The ComFrame standard is addressing impediments to transferring capital across jurisdictions, not limited to liquidity requirements.
CF 15.2c.1 (new CF 15.2b.1)	Suggested edit for clarity: “The IAIG should have documented procedures on actions required for cross-border transfer of capital and assets in normal and stressed times.”	Agreed to change the language to address concern and also to align the guidance with the standard.
CF 15.2c.1 (new CF 15.2b.1)	It was believed to be more efficient if CF 15.2c.1 put the burden on the supervisor (not the insurer) to document legislative restrictions as it is especially challenging for an insurer to anticipate how supervisors will react in stress conditions to limit cross-border transfers.	It is the responsibility of the IAIG to consider the effect of potential, legal, and practical impediments. There is no requirement to document legislative restrictions before such restrictions exist. The guidance is amended to better reflect the intent.
CF 15.2d (new CF 16.6b)	Some commenters state fungibility should not be addressed in the CF language. Some considered the language to be too prescriptive, some would prefer the liquidity policy to be at local entity level and there to be a separate liquidity policy.	This ComFrame standard and related guidance has been moved after ICP 16.6.9 which refers to the investment policy. Fungibility is addressed in this standard to the extent it impacts investment liquidity. It sets minimum criteria for liquidity, allowing the IAIG to adapt the criteria at local level as necessary. Comments

		regarding preference for a separate liquidity policy are covered by adding new guidance CF 16.6b.1 (former CF 15.2d.1), allowing the liquidity policy to be covered by a reference to a separate policy.
CF 15.2e.1 (new CF 16.6c.1)	Some commenters consider the inclusion of a geographic area among the criteria to include a limitation for currency exposures, and suggest it to be deleted.	This ComFrame guidance has been moved after ICP 16.6.9 which refers to the investment policy. The purpose of each criterion in CF 16.6c.1 (former CF 15.2e.1) is to prevent excessive concentrations, and as investments in a geographic area can be in any currency, the currency exposures are separate from geographic exposures.
CF 15.2f.1 (new CF 16.6e.1)	The wording implies that the non-compliance from policy are routine in nature.	This ComFrame guidance has been moved after ICP 16.6.9 which refers to the investment policy. Agreed. The CF text was edited.
CF 15.2f.1 (new CF 16.6e.1)	There is no indication about how companies should think about the value or liquidity decreasing.	This ComFrame guidance has been moved after ICP 16.6.9 which refers to the investment policy. The Head of the IAIG should be able to monitor investment exposures that could endanger the group's financial position. The purpose of this guidance is not to be overly prescriptive by establishing concrete additional ERM requirements, but rather to highlight the need for proper internal reporting within the group.
CF 15.4a and CF 15.4a.1 (new CF 16.6d and CF 16.6d.1)	Some commenters deem the standard to be too restrictive. Instead of using the term "limit" in the standards, some commenters prefer an alternative term, such as "criteria". The guidance was also considered to be too restrictive, and that not all criteria listed apply to intra-group investments.	This ComFrame standard and related guidance has been moved after ICP 16.6.9 which refers to the investment policy. In response to the comments, consistent with the change in the CF standard and guidance, the term "limit" was replaced with "criteria". In acknowledgement of the comment that not all criteria apply to all intra-group investments, the new language allows for more flexibility.

CF 15.4a.1 (new CF 16.6d.1)	Additional language should be added to CF15.4a to reflect factors such as the financial strength of individual entities and the nature of the business.	This ComFrame guidance has been moved after ICP 16.6.9 which refers to the investment policy. In response to the comment, revisions were made to the CF guidance, not the standard.
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Summary of comments on ComFrame material integrated into ICP 16

Ref.	Summary of comments received	IAIS response
CF 16.1a	Some comments stated that local regulations significantly contribute to factors of differences in the ERM framework. In addition, it was suggested to change "any differences" in the second sentence to "Material differences".	A reference to "legal and regulatory requirements in the jurisdictions where the IAIG operates" has been inserted. "Any differences" has been changed to "material differences".
CF 16.1b	Some comments stated that a clarification on the meaning of strategic risk, concentration risk and group risk would be useful. An additional comment was made that strategic risk and concentration risks are not necessarily separate risk types, but are sometimes reflected in other risks.	A definition of strategic risk, concentration risk, and group risk will be added to the glossary. A new guidance 16.1b.1 was added to address the comments made regarding separate risk types.
CF 16.1c.2	Comments suggested to include additional factors to be considered in an IAIG's intra-group transactions (IGT) risk assessment.	The guidance was modified to include details regarding fungibility of capital and to add "currency effects" to the list of factors to be considered in the IAIG's IGT risk assessment.
CF 16.1c.3	Support from one part of the IAIG may also be withdrawn due to regulatory action.	ComFrame guidance was changed to add "supervisory measures".

CF 16.1c.4	Suggestion was made to be consistent in the use of the term “legal entity” versus entity.	ComFrame material was reviewed for consistency and applicable edits were made. “individual entities” has been replaced by “individual legal entities”
CF 16.2a	Several respondents doubt the appropriateness of requiring an economic capital model to be used by IAIGs due to the existence of more effective tools, e.g., jurisdictional regulatory framework, and little practical values of economic capital models.	Using an economic capital model is considered a key component of risk modelling and is reflective of how IAIGs operate. This was included in the 2014 version of the CF material, and not a new requirement.
CF 16.2a.1 (new CF 16.2a.2)	There should be some more cautionary wording around the need to take into account the uncertainties in the underlying data/calibrations and limitations of such models when using them e.g. to “drive or validate major management decisions”.	The guidance has been redrafted, using slightly more cautionary wording.
CF 16.2b (new CF 16.2c)	The requirement to have an independent review of the IAIG ERM framework at least every three years goes beyond current regulatory requirements and imposes another constraint on Groups in an area which is already well regulated – as such the cost may outweigh the benefits.	<p>The burden is limited considering that the independent review can be done by an internal (independent) body and not necessarily by an external body. Furthermore, ComFrame is not overly prescriptive on the content of the review, allowing flexibility.</p> <p>Three years seems a reasonable frequency for an IAIG. New guidance was added to clarify that a more frequent review may be needed, in the case of a major change, such as a change in the IAIG’s risk profile, structure or business strategy.</p>
CF 16.2b (new CF 16.2c)	Suggestion to amend ‘supervisor’ to ‘group-wide supervisor’ for drafting consistency.	Agreed to amend; “group-wide supervisor” was the intent.
CF 16.2b.1 (new CF 16.2c.1)	It should be recognised that an external ERM review may create significant cost without generating added value.	An external review is not prescribed. The guidance explicitly allows for the review to be performed by an internal body.

	We suggest that the CF should allow for ERM review conducted by an Independent internal body.	
CF 16.2c (new CF 16.2b)	Stress and reverse stress testing requirements are not different for insurance groups and IAIGs. The standard should be modified to make it clear what is “deemed relevant to the IAIG’s risk profile” should be based on the perspective of the insurance group.	The ComFrame standard, which is a requirement for IAIGs, is necessary in order to address the specific challenges posed by the supervision of IAIGs. The standard was amended to reflect the comment to make it clear what is relevant to the IAIG’s risk profile should be based on the perspective of the IAIG.
CF 16.4a	Insurance groups and IAIGs do not need a different treatment, therefore a standard covering risk appetite is not necessary. It is not appropriate to require risk appetite information to be communicated to external parties due to the confidential and/or proprietary nature of such information.	The standard is necessary given the complexity and international scope of IAIGs. To clarify the intent of the standard, new guidance was added to explain that the granularity of information can differ between what is communicated internally and externally, in order not to inappropriately disseminate information to external parties.
CF16.7a	In the fields of underwriting, pricing and reinsurance, there would be cases where group entities operate according to their product features and risk characteristics, within the risk tolerance levels set by the Head of the IAIG. As such, this standard could impede the efficiency of group entities’ businesses.	CF 16.7a does not prevent group entities from having their own individual policies governing product features or risk characteristics.
CF 16.7a.1 (new ICP 16.2.4)	The elimination of intra-group transactions may or may not be relevant from an ERM perspective.	This ComFrame guidance was determined to be better placed in ICP 16 text, ie at ICP level rather than ComFrame level. An IAIG needs to consider whether it is appropriate to eliminate intra-group transactions, taking into account whether it uses consolidation or an aggregation method, when determining its risk assessment methodology as part of its ERM framework.
CF 16.7a.1 (new ICP 16.2.4)	It is not the data that might be aggregated, but the risk measures.	This ComFrame guidance was determined to be better placed in ICP 16 text, ie at ICP level rather than ComFrame level.

		Agreed. The guidance was revised to address the comment.
CF 16.7b	Commenters deem that it should be at the discretion of the group to decide whether to establish such a group-wide claims management policy. In addition, comments stated that such a group-wide claims policy could be contrary to local laws, and can vary according to business lines.	Guidance was added to address comments: “A group-wide claims management policy should allow insurance legal entities to establish individual claims management policies and procedures, adjusted to supervisory requirements and circumstances in their jurisdictions.”
CF 16.7b	The level of prescriptiveness and granularity of the standard is excessive.	Revisions were made to make the standard less granular. Processes that are directly related to the ERM Framework were retained in the standard. Other processes that may be relevant were moved to guidance.
CF 16.7b.1 (new CF 17.7b.3)	While strict management systems should exist at the entity level, it was felt that requiring escalation procedures at the group level was redundant.	Revisions were made to ComFrame guidance to provide better clarity as to the intent of the guidance. In addition, the escalation of claims was moved to guidance to allow for flexibility.
CF 16.7c	Comments were made that the level of detail in the standard was too granular and it should allow for IAIG discretion.	The standard was modified to reflect the concern about granularity and allows IAIG discretion. The standard was also modified to make the language more consistent with related ICP 13 text.
CF16.7d	The process to calculate reinsurance recoverable assets is duplicated in the standard and should be deleted.	As suggested, the repetition on calculation of reinsurance recoverable assets was eliminated.
CF16.7d	For sake of coherence, there needs to be consistency between the base and stressed case assumptions.	The suggested consistency between base and stressed assumptions was reflected by the addition of the new guidance 16.7d.4.
CF16.7d	The role of the actuarial function should not be covered under underwriting risk, but should be a separate section.	Including the actuarial policy in the current location was deemed to be the best location, so the language was not relocated.
CF16.7d.1	The actuarial policy should be limited to actuarial processes and should not be elaborated towards other	An IAIG is required to have an actuarial policy, in part, to address the activities of the actuarial function. The group-wide actuarial

	<p>process such as accounting. Of course, interaction among the various professions and functions within the insurer should be stimulated.</p> <p>It was suggested that the 4th bullet point is not necessary. Assumption-setting is inherently a local matter, as expertise is found at the local level. The merits of a group-level framework and process are not entirely clear.</p>	<p>policy is not limited to pure actuarial processes but can include other processes as described in the guidance.</p> <p>The fourth bullet requires there to be a framework for the establishment of assumptions, it does not prevent taking local circumstances into account.</p>
CF16.7d.1	The frequency of monitoring actuarial activities should be determined according to the structure of entities, we suggest deleting “quarterly” in the last bullet point.	Agreed, revised the last bullet as suggested.
CF16.7d.1	For the second bullet point, we suggest to replace “management interaction” with “management actions”.	Agreed; guidance was revised as suggested.
CF16.7d.2	In CF 16.7d.2 we should add “actuarial” in the first sentence as follows – “The group-wide actuarial policy should contain practice standards to raise awareness of any actuarial matter that has,”	The guidance is meant to reflect matters that come to the attention of those responsible for the actuarial function – accordingly the word “any” was eliminated.
CF16.7d.3	It was recommended that the second sentence in CF 16.7d.3 be adjusted – “The IAIG’s group-wide actuarial policy should focus on group-wide reporting requirements both for internal management purposes and for reporting and disclosure purposes, but as applicable, the group-wide policy requirements will be replaced by jurisdictional requirements.”	Group-wide policies establish the framework, under which the legal entity policies can take the jurisdictional requirements into account.
CF 16.7e	There is a clear overlap with the proposed annual group-wide actuarial opinion and information that is already covered by the IAIG’s ORSA. Further clarification is needed to avoid duplication.	This standard was revised to require annual reporting without reference to the type of reporting, whereas the ORSA requirement is to be performed on a regular basis which could be less frequent than an annual basis. This standard does not prevent the use of

		relevant portions of the ORSA report as inputs into the annual actuarial report.
CF 16.7e	Reviewing non-insurance entities and non-regulated legal entities should not be assigned to the actuarial function.	The non-insurance legal entities and non-regulated legal entities are part of the IAIG's balance sheet, and the actuarial policy only requests they be considered as a part of the group-wide actuarial opinion.
CF16.10a	Commenters believe that it should be at the discretion of the IAIG to assess the appropriate approach (i.e. quantitative and/or qualitative) to perform each element of the ORSA.	Both quantitative and qualitative approaches should be used to perform the ORSA. It is not intended that both approaches are applied for each and every element of the ORSA listed in CF 16.10a.
CF16.10a	It is not clear what content of the ORSA would be expected for: Restrictions on capital movement; the transferability of assets between jurisdictions and the fungibility of capital.	To address concerns the second bullet "restrictions on capital movement" was deleted to avoid overlapping with the fifth bullet point. It is the IAIG's responsibility to assess any restrictions on capital movement.
CF 16.10a.1	The concept of "political risk" has been introduced without a definition. For the avoidance of doubt, the IAIS should provide a clear definition of what "political risk" means in this context.	Political risk was added to the IAIS glossary.
CF 16.10a.1	Our view is that IAIGs should consider all material risks arising from insurance legal entities and other entities.	Agreed with the suggestion and edited text to include "all material" risks.
CF16.12a and CF16.12a.1	----	The Standard and its Guidance was deleted as it is covered by ICP 16.12 (2nd bullet) and ICP 16.12.1.

Summary of comments on the Additional questions related to ICP 16 and ComFrame material integrated into ICP 16

Question	Summary of comments received	IAIS response
<p>Q260 Actuarial policy – In addition to existing ICP material, should ICP material on actuarial policy for the purpose of ERM for solvency purposes be developed?</p>	<ul style="list-style-type: none"> Majority of responses were “No” (14 out of 16 responses). Main reason for “No” is that additional requirements would be too prescriptive, or already sufficiently covered by guidance. 	<p>The ICP 8 standard and guidance on the actuarial function sufficiently covers the main activities and required governance of the actuarial function. It is not necessary to develop additional ICP material on the actuarial policy at this time.</p>
<p>Q261 ORSA – Should the interaction between ICS and ORSA be made clearer in ComFrame? If yes, what are the areas that are currently lacking in clarity?</p>	<ul style="list-style-type: none"> Of the 13 responses to this question, 8 respondents answered “no” and five respondents answered “yes”. The majority of the respondents felt that no further interaction between the ICS and ORSA is necessary within ComFrame. The minority view was to consider how future development changes to the ICS could potentially impact ORSA process guidance. Of the 4 respondents that answered “yes”, one respondent stated that requirements for the ICS should be consistent with the requirements for an ORSA. Another “yes” respondent stated that the only interaction between the ICS and ORSA should be an acknowledgement that they are separate, but useful tools. Three “yes” respondents stated that given a 5-year monitoring phase starting in 2020, changes to the ICS made during the monitoring phase might have an impact on future ORSAs. 	<p>ORSA is the group’s own risk assessment and different assessments and methodologies may be used compared to the ICS, depending on the circumstances. No additional interaction between the ICS and ORSA is necessary in ComFrame at this time.</p>

	<ul style="list-style-type: none"> • One of the respondents that answered “no” believes the interaction between ICS and ORSA seems sufficiently clear and straightforward. ICP 16.11 already provides guidance on the difference between ORSA and regulatory capital requirements. 	
<p>Q262 ORSA – Should the interaction between ICS and ORSA be made clearer by clarifying the assessment of the less readily quantifiable risks such as strategic risk and reputational risk?</p>	<ul style="list-style-type: none"> • Most of responses say additional clarification on the assessment of less readily quantifiable risks is not necessary. (12 out of 14 responses). • Majority of comments says that the current requirement for ORSA leaves appropriate flexibility to emphasise the “own” in ORSA, and that making it more prescriptive would not improve its effectiveness. • One respondent stated that “if necessary, the CF text on the ICS itself could clarify that less quantifiable risks are not considered in the ICS but should be considered under the ORSA, including a reference to CF 16”. 	<p>ORSA includes quantifiable and non-quantifiable risks whereas the ICS covers quantifiable risks. For purposes of the ICS, strategic risk and reputational risk were deemed non-quantifiable risks and therefore excluded from operational risk. In this respect, the ORSA and ICS are complementary and no changes to the ICP are necessary at this time.</p>
<p>Q263 ORSA – Fungibility of capital: To what extent should the ORSA play a role as part of a holistic approach to the fungibility of capital within the ICS? In addition to the consideration of criteria within the capital resources framework of the ICS, would it be useful for ComFrame to provide some specificity on how supervisors should assess fungibility of</p>	<ul style="list-style-type: none"> • Of the 13 responses, there were 12 “no’s” and one “yes”. • The overwhelming response is that ComFrame should NOT provide specificity on how supervisors should assess fungibility of capital when assessing the overall capital adequacy of the IAIG. • Only one respondent stated that specific guidance is clearly warranted since fungibility of capital is a “dubious concept” and since ORSA and the ICS serve different purposes. 	<p>While fungibility of capital should be assessed at the group level, insurers and supervisors should rely on jurisdictional requirements and the ability to restrict transfers of capital. No additional ComFrame guidance is necessary at this time.</p>

<p>capital and take that into account in assessing the overall capital adequacy of the IAIG?</p>		
<p>Q264 ORSA – Would it be useful for ComFrame to provide explanation on how supervisors should review the output of an IAIG’s economic capital model against regulatory requirements, including the determination of follow-up regulatory actions?</p>	<ul style="list-style-type: none"> • There were 14 respondents to this question; 9 responded “yes” and 5 responded “no”. • The majority of the “yes” respondents stated that a poor result from an economic capital model SHOULD NOT lead to immediate regulatory actions against an IAIG. These respondents felt that while an economic capital model may provide useful insight and information to supervisors, its outputs should not serve to trigger regulatory action or somehow be confused with binding regulatory constraints. • While not necessarily on point with the question, one respondent did state that principle-based guidance could be introduced as to what to do with results of an economic capital model. 	<p>ICP16.13.18 (as revised ICP 16.14.18) provides some guidance on the supervisory use of insurers’ internal capital models, but does not mention economic capital models nor regulatory actions. There seems to be a room to add some principle-based guidance in ICP16.13 (as revised ICP 16.14).</p>
<p>Q265 Stress testing – Should the complementarity between ICS and stress testing be made clearer in ComFrame? If yes, what are the areas that are currently lacking in clarity?</p>	<ul style="list-style-type: none"> • There were 8 “No”, and 4 “Yes” responses. • Some responses believe more work needs to be done on the ICS before further consideration. • Several “No” responses suggested keeping stress testing and ICS distinctly separate • Two responses state the ICP guidance should be principles based and not prescriptive 	<p>Once the ICS is finalised, the complementary relationship between the ICS and stress testing should be further explored.</p>
<p>Q266 Stress testing – Should this ComFrame material be further developed to</p>	<ul style="list-style-type: none"> • The majority (7) responded “No”, and one “Yes” 	<p>Once the ICS is finalised the relationship between the ICS and stress testing should be further explored.</p>

<p>complement supervisor's assessment of an IAIG's capital adequacy?</p>	<ul style="list-style-type: none"> • The majority believes the ComFrame material related to stress testing is currently adequate, and that the ICS needs to be further developed • One response suggests that any additional material should be added to ICP 17 	
<p>Q267 Economic capital model – Should the interaction between the requirement to maintain a comprehensive economic capital model and any future possible use of internal models be clarified? If yes, what are the aspects that need to be clarified?</p>	<ul style="list-style-type: none"> • The majority (11) responded “No”, and 4 “Yes” • The majority believes the two should be kept separate • Some commented that if internal models are used to calculate capital requirements, they should be consistent with the economic capital model used in ORSA 	<p>Proposed ComFrame Standard 16.2a requires the use of an economic capital model for measuring all reasonably foreseeable and relevant material risks. This question should be further explored depending on the ultimate development of internal models in the ICS.</p>
<p>Q268 Actuarial governance and reporting – Given what is already provided in Standards 8.3 and 8.6 and the accompanying guidance on the control function and the actuarial function, should ComFrame further elaborate on governance arrangements and controls relating specifically to group-wide actuarial policy and reporting? If yes, please specify the aspects that should be further described.</p>	<ul style="list-style-type: none"> • The majority (13) responded “No”, and 3 “Yes” • There is concern that a group-wide policy would preempt entity-specific policies. 	<p>ICP 8 provides for appropriate governance arrangements and controls. As a result, no edit to ComFrame needs to be made at this time.</p> <p>A group-wide policy is not intended to prevent an IAIG from instituting entity-level policies.</p>

<p>Q269 Others – The ICS allows for the assessment of materiality by IAIGs. For example, a specific factor or rule in the valuation calculation could be simplified if the IAIG deems that the impact of simplification would be immaterial. Should the ComFrame provide clarification on materiality criteria or should this be supervisors’ discretion?</p>	<ul style="list-style-type: none"> • Most of responses say “No” (14 out of 16 responses), although it was not clear if the “No’s” were in response to ComFrame providing clarification on materiality criteria, or if the “No’s” were in response to disallowing supervisor discretion. The “No” responses were most likely in regard to ComFrame providing clarification on materiality criteria. • Based on the responses with comments, most of responses say there should be supervisory discretion. • Other responses include “mutual agreement between IAIG and supervisors” 	<p>Currently, the ICS allows for the assessment of materiality to be performed by the IAIGs. The current approach used in ICS is appropriate; ComFrame should provide for supervisory discretion including discussions at the supervisory college.</p>
<p>Q270 Others – Should the ComFrame provide clarification on differences (if any) between the model governance for internal models used to meet regulatory requirements (ICP 17 (Capital Adequacy)) and economic capital models used for strategic planning purposes/ORSA (ICP 16)?</p>	<ul style="list-style-type: none"> • The responses split almost evenly between “yes” and “no”. (“Yes” 6 vs. “No” 7) • The reasons supporting these responses ranged as follows: <ul style="list-style-type: none"> ➢ Model governance would be similar regardless of whether it is for regulatory purposes or internal planning purposes. ➢ ComFrame should clarify the difference since the purpose and validation process is different. ➢ Too early to discuss since the application of internal model in ICS will be considered during the monitoring period. 	<p>ICP 17 currently provides for governance requirements around the use of internal models for regulatory purposes. Since ICP 17 will not be reviewed until the adoption of ICS Version 2.0 (which will consider the use of internal models for calculating the ICS capital requirement), it would make sense to address the question at that time.</p>
<p>Q271 Others – With regard to ERM for Solvency Purposes/ORSA, are there other items that should be taken</p>	<ul style="list-style-type: none"> • The majority (10) responded “No”, 4 “Yes” • Three responses stated they expect ICS developments to result in changes to ComFrame. 	<p>Consideration of the future potential holistic framework for the mitigation of systemic risk, and its possible interaction with the related guidance,</p>

into account or further clarified in ComFrame given the ongoing development of the ICS? Please elaborate.		should be taken into account in the development of ComFrame.
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